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Albania appeals to Europe as mob rule spreads

Albania appealed yesterday for military intervention by the European members of Nato in a desperate attempt to halt the country's headlong slide into anarchy. Hans van Mierlo, Dutch foreign minister and president of the European Union's Council of Ministers, said the EU was considering the request. Meanwhile, Albanians looted weapons from army barracks as troops and police disappeared from sight and left the streets to mob rule. Prices doubled as frightened residents stocked up on food. Page 16

Virgin switches partner for transatlantic links

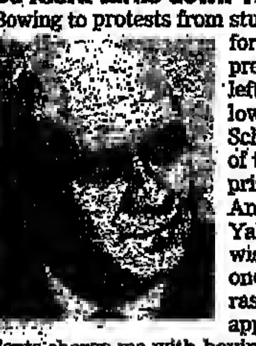
Virgin Atlantic said it was ending its partnership with Delta Air Lines of the US and concluding an alliance with Continental of the US instead. It leaves Delta without a UK partner, although it has alliances with Swissair, Austrian Airlines and Sabena of Belgium. Page 6

German coal deal reached: The German government bought peace in its coalfields through a pact with the miners' union and employers. The government offered to reduce subsidies at a slower rate over the next nine years and secured a pledge of no mass sackings. The deal allows for a pit closure each year to 2000, other closures after that, and the loss of about 46,000 of 85,000 mining jobs by 2005. Page 16

BT and NTT in joint Singapore bid: Nippon Telegraph and Telephone, the world's largest telecoms company, and British Telecommunications, the UK's dominant operator, are bidding jointly for Singapore's second national telecoms licence. It is the first time BT and NTT have collaborated on an overseas bid and has inspired speculation that the two are exploring stronger links. Page 16

Surge in Japanese economy: Japan's economy grew by 2.9 per cent in the last three months of 1996 bringing growth for the full year to a robust 3.6 per cent, its Economic Planning Agency said. Last year's growth rate was the highest of any developed economy and Japan's best since 1991, it said. Page 16

De Klerk turns down Yale honour



Bowing to protests from students and faculty, former South African president FW de Klerk, left, has given up a fellowship at Yale Law School. The co-winner of the 1993 Nobel peace prize said in a letter to Anthony Kronman, the Yale dean: "I have no wish to cause either one of us any embarrassment. It would appear that the students charge me with having been the leader of a 'violent, racist white government.' ... Nothing can be further from the truth."

Theft blamed on Russian gang: US and British investigators believe Russian criminal gangs may be behind the February 25 theft of $2.5m in $100 bills from London's Heathrow airport. The robbery highlighted a lucrative trade by US banks which ship billions of dollars abroad to serve as a reserve currency in high-inflation environments. Page 8

Matsushita, the Japanese electronics group, will establish a regional headquarters in London to integrate its 16 European sales and financial operations in advance of European economic and monetary union. Matsushita said Europe accounted for 10 per cent of sales. Page 17

Turkish military curbs Islamists: The Islamic-led government bowed to Turkey'e military and pledged measures to protect secular traditions. "Our government is determined to fight against the threat of religious fundamentalism," state minister Lutfu Esengul, a deputy from the Islamic Welfare party, said.

Night work by French women allowed: France can no longer forbid women labourers to work at night. At a time when France faces double-digit unemployment, the European Court of Justice ruled thet its ban on night work for women hurts their chances in the job market and violates European law on equality in the workplace.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6968.94	(-70.42)
NASDAQ Composite	1289.05	(-5.06)
Europe and Far East		
CAC40	2632.10	(-8.6)
DAX	3349.81	(-65.59)
FTSE 100	4397.7	(-24.8)
Nikkei	17,900.48	(-282.48)

US LUNCHTIME RATES

Federal Funds	$5\frac{3}{16}$%
3-mth Treas Bills: Yld	5.228%
Long Bond	$95\frac{3}{16}$
Yield	6.954%

OTHER RATES

UK: 3-mo Interbank	$6\frac{3}{16}$%	(same)
UK: 10 yr Gilt	$101\frac{1}{16}$	($101\frac{3}{16}$)
France: 10 yr OAT	107.15	(107.47)
Germany: 10 yr Bund	102.13	(102.40)
Japan: 10 yr JGB	105.474	(105.020)

NORTH SEA OIL (Argus)

Brent Dated	$19.27	(18.88)

GOLD

New York: Comex (Mar)	$354.1	(352.8)
London: close	$352.55	(352.95)

DOLLAR

New York: lunchtime		
£	1.5965	
DM	1.7053	
FFr	5.749	
SFr	1.465	
Y	123.215	
London:		
£	1.5973	(1.593)
DM	1.7012	(1.7014)
FFr	5.7335	(5.7411)
SFr	1.4594	(1.466)
Y	122.80	(122.63)
Tokyo close:	Y 122.25	

STERLING

DM	2.7174	(2.7103)

Netanyahu condemns 'wicked' attack by Jordanian soldier

Schoolgirl shootings fuel Middle East tension

By Judy Dempsey in Jerusalem

All sides involved in the Middle East peace process yesterday condemned a Jordanian soldier's unprovoked attack on a group of Israeli schoolgirls which left seven dead and at least six seriously wounded.

The incident coincides with a deepening rift between Israel and the Palestinians over the pace of the peace negotiations.

The shooting took place at Nayarayim on the "Island of Peace," a small enclave sandwiched between Israel and Jordan by the Jordan river which is visited by many Israeli tourists.

The 13-year-old girls from the Bet Shemesh school near Jerusalem were on their annual field trip. They were standing at an observation point across the Jordan river when the soldier opened fire, emptying a magazine of ammunitioo and re-loading before being overpowered by other troops.

The shootings come in the wake of growing tension between Israel and Palestinians, fuelled by Israel's decision to build a new Jewish settlement at Har Homa in east Jerusalem and its recent troop pullback from some towns and rural areas of the West Bank.

The Palestinians rejected the withdrawal, saying the 9 per cent of land ceded to their control was below their expectations.

In Washington, President Bill Clinton condemned the killings "in the strongest possible terms", adding that there was no reason "to believe this terrible incident is related to the tensions in the area over the issues".

He called on the leaders and people of the region to reject violence and redouble peace efforts.

Mr Benjamin Netanyahn, the Israeli prime minister, called it "a wicked attack that caused a terrible tragedy", edding that those wbo are "willing to employ violeoce pose the biggest threat to the peace process".

Mr Yassir Arafat, president of the Palestinian Autbority, pboned Mr Netanyabu to express his coodolences.

King Hussein of Jordan cut sbort his visit to Spain and postponed a visit to Washington. He said the incident was "something I feel is aimed at

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An Israeli schoolgirl who survived the shooting is comforted by ber father — Reuter

US sales grow faster than expected

Markets unsettled by overheating fears

By Gerard Baker in Washington

Buoyed by rising incomes, falling unemployment and a surging stock market, US consumers went on a spending spree in the first two months of 1997, fuelling fears that the economy is in danger of overheating and unsettling the markets.

Retail sales rose by a seasonally adjusted 0.8 per cent in February from a month earlier, the Commerce Department reported yesterday, slightly faster than expected.

The increase came on top of e sharp upward revisioo to January's figure. Sales in that month posted a 1.5 per cent increase, up from an earlier estimate of 0.6 per cent, and the fastest gain since February last year. In real terms, spending in the first two months of 1997 rose at an annual rate of more than 7 per cent.

The figures provided further confirmation that the pace of US economic growth is now in the danger zone normally associated with accelerating inflationary pressures.

Markets took fright at the report, fearing it would induce the Federal Reserve to raise interest rates to cool demand at the next meeting of its open market committee on March 25. By 2pm, the benchmark 30-year Treasury bood bad dropped ⅝ of a point, pushing the yield up to 6.93 per cent. The Dow Jones Industrial Average had lost 106 points to 6,934.

Consumer spending accounts for more than a third of all economic activity. Though the pace of retail sales in the last two months is unlikely to be maintained in March, economists yesterday were revising upwards their forecasts for overall growth in the first quarter of 1997.

Most now expect gross domestic product to grow at an annual rate of between 3 and 4 per cent in the first three months. That would represent almost no slowdown from the 3.9 per cent recorded in the last three months of 1996, itself considered too fast.

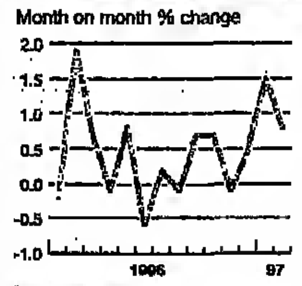
Two consecutive quarters of growth of almost twice what officials believe to be the US's long-term, non-inflationary potential rate could prove too much for the Federal Reserve, even though the evidence of runaway consumer speoding came just a day after the central bank reported that there was still no clear sign of inflationary pressures.

In its "Beige Book" report on conditions across the country publisbed on Wednesday, the Fed said that though strong demand growth had made for tight labour markets, there were few signs of an acceleratioo in wages, and little evidence of other price pressures.

The Fed has attributed the lack of inflation to a number of fectors, including workers' insecurity about their employment prospects, and under-reported improvements in productivity.

The sharpest increase in retail sales in the first two months was reported in tbe building materials sector.

US retail sales



Source: Datastream

There were also stroog increases in demand for cars and trucks, and in department store sales.

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NatWest bank suspends four over options losses

By John Gapper, Banking Editor

National Westminster Bank, the UK's biggest bank, yesterday took tough action against a group of senior managers as it disclosed that its losses due to mis-pricing of derivatives had risan to £90m. It also revealed that the mis-pricing had been allowed to continue over two years.

NatWest, which suspended one manager in its investment banking arm NatWest Markets two weeks ago, suspended a further four yesterday as it announced the conclusions of the first stage of an inquiry. It added that it was re-couping part of the loss by cutting £8m from staff bonuses.

Mr Martin Owen, chief executiva of NatWest Markats, gave up £200,000 from his bonus of £500,000 for last year. The rest of the monay was taken from the bonuses of a small group of managers in its interest rate derivatives arm.

NatWest said it would write off £77m against its first half profits to cover losses, whicb, together with the £8m bonuses saving and an existing £5m provision, would cover the £90m losses. Its original estimate of the losses two weeks ago was £50m.

NatWest's response to managers' failure to prevent the loss caused by Mr Kyriacos Paponis, a former trader alleged to have mis-priced trades between the end of 1994 and 1996, has been unusually forceful and open.

However, the reputatioo of its investment bank is likely to be damaged by the disclosure thet it failed to discover what was occurring despite an attempt to tighten risk controls following the collapse of Barings, the London-based merchant banking group, early in 1995.

It suspended Mr Phil Wise, chief administrative officer, Mr Jean Francois Nguyen, head of debt derivatives, Mr Christopher Lanson, bead of interest rate risk management, and Mr Ian Gaskell, head of swaps trading in Europe.

Mr Owen said he could not rule out further suspensions of staff as the accountancy firm Coopers & Lybrand, and the law firm Linklaters & Paines, proceeded with tha second stage of its inquiry, which could take several months.

"We have found a major deficiency in controls. Although it seems to have occurred in an isolated area, it still gives us concerns because these losses remained undiscovered for a significant period".

Two weeks ago, NatWest suspended Mr Neil Dodgson, global head of options, for failing to supervise Mr Papouis. It said that Mr Papouis had declined to be interviewed.

Lord Alexander, chairman of NatWest, which has been trying to build up the group's investment bank in receot years, said that the bank remained committed to creating a global investment bank despite its "great concern" about the incident.

The initial stage of the internal review found evidence of losses in option books from late 1994 onwards, and discovered that some option trades bed been moved between books in a manner that mada mis-pricing hard to detect.

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German coal mine closure deal ends protests

By Peter Norman in Bonn

Tbe German governmeot yesterday bought peace in the nation's coalfields by offering to reduce subsidies at a slower rate over the oext nine years and by securing a pledge of no mass sackings in the lodustry.

The "socially nccepteble" run-down of coal miniog, agreed yesterday with the I G Bergbau trade unioo and the employers, will involve a pit closure a year until 2000, additional closures after that, and the loss of about 46,000 of 85,000 mining jobs by 2005.

But tbe iodustry will be larger than eovisaged just a week ago, wben Chaocellor Helmot Kohl pnt forward plans for subsidy cots that would have cost oearly 60,000 jobs. That plan brougbt thousands of protesting miners to the streets of Bonn.

Tbe 10,000 demoostrators, wbo on Wednesday withdrew to oearby Cologne at their union's insistence to await the ootcome of tbe talks, welcomed the compromise.

But Mr Günter Rexrodt, the Boon economics mioister, warned tbat tbe iodustry would be halved by 2005 and coal would play a subordinate role in supplying Germany's future energy needs.

The settlement was reached just before dawn yesterday after intensive negotiations between Mr Friedricb Bobl, the bead of the Chancellery, and Mr Wolfgang Clement, ecooomics minister of tbe state of North Rbine Westphalia and a member of tbe opposition Social Democrais.

Overall subsidies will be reduced from DM8.91bn ($5.24bn) this year to DM5.5bo a year by 2005 to bring the cost of German coal down to world market levels and to belp finance pit closures. While the subsidies planoed for 2005 are io lioe with Bonn's original plans, the federal government bas agreed to pay an extra DM1.65bn over tbe period, bringing its total

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Yeltsin image-makers form PR group

By Chrystia Freeland in Moscow

The well connected Moscow team which overcame tremendous odds to secure Russian President Boris Yeltsin's re-election last year is planning to put its political services up for sale.

Their vehicle is a newly formed public relations (PR) and lobbying group called Group of '96 – a reference to last year's presidential ballot – and they hope it will revolutionise Russia's approach to professional politics.

Led by Mr Igor Malashenko, president of NTV, Russia's only private television station, Group of '96 hopes to sell its inside knowledge of the corridors of Russian power to aspirant politicians throughout the former Soviet Union and to western companies seeking a smoother relationship with the Kremlin.

Russian observers estimate that the market for political consulting services is enormous.

According to one report, an average gubernatorial campaign costs $1m, while s presidential bid costs about $500m by conservative estimates.

Consulting companies – *imedzh-maekery* (image-makers) – take some 15 to 20 per cent of the total campaign outlay.

Mr Malashenko, who was a key figure in the nine-member team which spearheaded Mr Yeltsin's election campaign last year, said the PR and lobbying company would be politically neutral, seeking primarily to make a profit.

Many observers have criticised the television chief for his intimate involvement with Mr Yeltsin's election campaign last year, arguing that it corrupted the relationship between the Kremlin and media.

Mr Malashenko acknowledges the conflict of interest, although he believes the grave threat posed by the communists last year gave him no choice but to ignore such democratic niceties.

However, he said he would leave his post at NTV as soon as the public relations company signed up its first client. The Russian media have speculated that presidents of former Soviet republics and Mr Yuri Luzhkov, the powerful mayor of Moscow with presidential ambitions, could be among the first to enlist Group of '96.

Mr Malashenko would not name target clients but said that, along with would-be domestic politicians, the group hoped to attract foreign companies and countries hoping to lobby the Russian leadership.

Mr Malashenko said he hoped the high-profile role he and his colleagues had played in Mr Yeltsin's election campaign would allow them to leap-frog smaller public relations consultancies that already exist in Russia.

"Right now, there's no company you could turn to for a big assignment in Moscow," Mr Malashenko said. "The market is unstructured. We plan to use the experience we developed during the 1996 election campaign."

Czech investment cash missing

Vanished $35m raises worries about Prague exchange, reports Vincent Boland

Five Czech businessmen have spent a week in police custody charged with fraud and conspiracy to defraud over the disappearance of some Kc1bn ($35m) of assets from an investment fund, amid mounting official concern about lack of investor confidence in the Prague stock exchange.

In a country struggling to regulate its financial system, the fact that the men have been charged at all is significant, and a successful prosecution would help restore confidence among the millions of small investors attracted to the exchange by the mass privatisation scheme.

The charges relate to Trend VIF, an investment fund the five managed for 50,000 shareholders.

The main accused are Mr Miroslav Hálek, chairman of Kotva, Prague's landmark department store, and owner of KHB, a brokerage at the centre of the alleged fraud; Mr Petr Srejtr, deputy chairman of Kotva and an associate of Mr Hálek; and Mr Jan Cholasta, former managing director of Trend.

Trend, set up in 1991 by Bonton, the media group, attracted a flood of investors as coupon privatisation got under way. By August 1995 its portfolio was valued at Kc1.2bn. It owned stakes in several top industrial companies, but its most valuable asset was a big stake in Kotva.

In August 1995 Bonton sold the company that managed the portfolio, and with it control of the underlying assets, to Mr Hálek, a former head of the Czech skiing association. He was an old Communist party man trying – like many others – to reinvent himself as a capitalist.

A report by Mr Emil Bušek, the court-appointed administrator to Trend, uncovered a pattern of "unlawful and unethical conduct" among the fund's managers dating from shortly after Mr Hálek and the other accused took control, leaving shareholders with losses put at upwards of Kc1bn.

Mr Hálek could not be contacted before his arrest for comment.

By last summer, according to the report, Mr Hálek allegedly began to siphon off assets using a web of companies linked to KHB. The Kotva stake ended up under the ownership of Cyprus-registered Formister Enterprises, whose ownership is not known. Most of the rest of the portfolio was sold – some buyers never paid for the shares, KHB companies are alleged to have been involved in disposing of the shares and hiding the proceeds.

Trend's assets now stand at less than Kc300m, leaving shareholders poorer by an average of abont Kc12,000. "The managers did what they wanted. Other shareholders were just ignored," says Mr Robert Pergl of the law firm Vaňa Pergl & Partners, who advised Mr Bušek in his investigation.

Most of the proceeds may have vanished for good into secret accounts linked to KHB. Some may have been used to repay a loan Mr Hálek and his associates took out to buy control of Trend from Bonton - the purchase price has not been revealed, bnt it is thought to he Kc200m-Kc300m.

Regulators were first alerted to problems at Trend by the Czech Value Fund (CVF), a London-based investment company which last summer, attracted by the quality of assets in the portfolio, spent about $10m on a 37 per cent stake, becoming the fund's largest shareholder.

Mr John Moffitt of CVF says its suspicions were aroused in meetings with Mr Hálek and intensified by its discovery that Trend's articles of association had been changed, restricting shareholders' voting rights and making it almost impossible to change the fund's board.

After a long tussle CVF, in alliance with other shareholders, succeeded last September in winning control of the fund, and called in the regulators. On October 31 Mr Bušek was appointed administrator and the fund's severely diminisbed assets were frozen.

Mr Bušek presented his report to Trend shareholders on 17 February, though only about 50 turned up to hear it. CVF says it is determined to press for prosecutions.

Mr Moffitt believes the Czech state may be liable to a claim for damages by Trend investors after the legal system broke down. A court decreed in January that missing Trend assets valued at some Kc300m Mr Bušek had located be blocked, bnt failed to issue an order to freeze them. They are missing again.

The authorities appear to have been relnctant to give Mr Bušek their full backing. "We found it very hard to get information from any authority," says Mr Radek Blaha, a lawyer at Vaňa Pergl. The ministry insists it is up to shareholders to prove wrongdoing.

Mr Moffitt sees the case as a litmus test of the commitment to improving supervision of the market. "How they respond [to the report] will be a barometer of what is really happening in this country," he says. "So far, public institutions have responded ineffectually at best and negligently at worst."

Lawyers for Trend shareholders are now trying to get the Kotva shares back from Cyprus and to establish the beneficial ownership of Formister Enterprises. They are also helping the authorities to build a criminal case against Mr Hálek and his associates.

Dealers dodge bullets in Tirana

By Guy Dinmore in Tirana

On the Tirana foreign exchange market yesterday an exposed position did not mean going short on dollars – it meant dodging bullets fired by maranding gangs of looters.

"This job takes courage," said Mr Fatmir Gjyriqi, a 23-year-old dealer, pointing across the street to where a man had been wounded by a stray bullet earlier in the day.

In the background, volleys of automatic gunfire could be heard as the people of Tirana, armed with weapons looted from military barracks, plundered sacks of flour from warehouses.

Few police were left on the streets, abandoning the capital to mob rule. But Mr Gjyriqi and a dozen other money dealers stood their ground, waving wads of banknotes to passers-by at the spot known to everyone as "at the bank".

Business was slow as residents hurried to the safety of their homes. "When roads are closed and people have guns, it's difficult to do business," Mr Gjyriqi complained.

He said he usually earns up to $20 a day and needs the money to complete his engineering studies at Tirana University.

The money market is legal and Albania's currency, the lek, floats freely according to the usual laws of supply and demand, its value influenced by the daily rate set by the central bank across the street. The lek has lost sbout third of its value since late last year but strangely, despite the nationwide descent into anarchy, it has beld steady in recent days and was trading at 140 to the dollar. "People have no money," Mr Gjyriqi explained.

The collapse of fraudulent pyramid schemes in January, the spark that ignited a rebellion in the south that rapidly spread northwards, has robbed many Albanians of their savings.

Diplomats say the schemes sucked in about $1.5bn – equivalent to more than half Albania's 1996 gross domestic product. Mr Gjyriqi said he and bis brother had lost $4,000 in the schemes.

Tirana's dealers "at the bank" also trade in privatisation vonchers issued by the state to workers on the sale of the nation's assets. Yesterday the vouchers were trading at just 3.5 per cent of their nominal value, a fall from 6 per cent just a few days ago.

"The people of Albania are very poor because the state is selling its assets at a very cheap price," said Mr Gjyriqi.

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Brussels loses battle over car spare parts

By Emma Tucker in Brussels

The European Commission yesterday lost its long battle to reduce the dominance of big car manufacturers on the European market for car spare parts.

A Commission proposal that independent part manufacturers be allowed to reproduce freely car spares such as bumpers, windscreens, door panela and lamps, provided they pay a "fair and reasonable" royalty to the car manufacturers, was dropped from a directive almed at harmonising national laws on the protection of designs.

Ministers from member states rejected the proposal, following fierce lobbying by the car industry which enjoys a monopoly on the reproduction of spare parts in some member states and a dominant position in most.

"The council has missed a chance to set a clear standard which would apply for the whole territory of the Union and ensure the proper functioning of tbe single market in the field of designs," Mr Mario Monti, single market commissioner, said.

The consequence of yesterday's decision is that it will be up to member states to decide how far to liberalise the market for car repair parts.

This means independent suppliers in countries such as Britain, which liberalised the market for spares several years ago, will not be able to sell their products in countries such as France, where the market is almost entirely the preserve of car manufacturers.

Representatives of spare parts makers, furious about the decision, said the outcome of yesterday's meeting would not even preserve the status quo; it would allow countries which at present permit some competition to extend the monopoly of car producers.

"The Council's decision excludes spare body parts from the benefits of the single market," said ECAR, the body representing independent producers and insurance companies.

"Once again, the council has shown a cynical disregard for the interests of consumers and small and medinm-sized enterprises which are no match when pltted against the protectionist demands of Europe's corporate interests."

Car manufacturers argue it is only fair they receive protection against the reproduction of car spare parts, the design of which requires much time and investment. They also say that allowing them exclusive rights of reproduction sets higher safety standards.

In countries whera a monopoly exists, consumers have to return to the manufacturer to replace a smashed wing mirror or broken window. In Britain, any independent supplier can do the job.

The UK voted in favour of the general proposal but a government official said yesterday the UK shared the Commission's regret that the council was unable to agree harmonised provisions relating to the repair of spare parts.

Industry hits at proposal to raise fuel taxes

By Emma Tucker

New European Commission proposals to raise minimum tax rates on car and heating fuels and extend them for the first time to natural gas and electricity have been condemned by industry, which says they would erode competitiveness.

The controversial proposals, adopted on Wednesday, aim to iron out distortions to the single market caused by different taxation systems in the 15 member states.

They are also designed to encourage countries to shift taxation off labour and on to non-renewable resources, thus promoting employment, saving energy and protecting the environment.

However, the plan is unlikely to become law. Taxation proposals require unanimous support of member states to become law, and several have already signalled opposition.

The UK made clear yesterday it would veto them. Industry leaders said they would saddle Europe with extra burdens at a time when competition from the rest of the world is rising.

"The idea that this proposal will save jobs is absolute bananas," said Mr Dirk Hudig, group manager for European affairs at ICI. "What it will do is destroy employment." Energy intensive industries would be tempted to move production abroad.

Unice, the European employers' organisstion, said energy costs were already significantly higher in Europe.

"Taxes should at least be harmonised towards the lowest levels that exist on the international scene, and not upwards," said Mr Daniel Cloquet, director of industrial affairs at Unice.

Mr Mario Monti, commissioner responsible for the single market, said that because only taxes on mineral oils were governed by EU-wide minimum taxation, there were distortions between different sources of energy and between member states. He also said that since the proposal grants member states the right to levy taxes higher than the minimum rates, governments would be able to pursue more radical environmental policies.

Mr Monti says the proposals would allow member states to restructure taxation policies in favour of jobs, and include measures for cutting the tax burden on energy intensive companies.

Under the plan, the new minimum rates would rise in three two-year stages starting in January.

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EUROPEAN NEWS DIGEST

Sweden in telecom move

Sweden yesterday unveiled measures to promote competition in its already deregulated telecommunications sector. A bill presented by the government included the abolition of licences for telecoms operators – in effect allowing uninhibited access to the market.

The communications ministry said the proposals were designed to bring Sweden into line with a planned European Commission directive covering liberalisation of the EU telecoms market next year.

Sweden already operates one of Europe's most liberalised telecoms markets, following full deregulation of services in 1993. However, the government said some fine-tuning was needed to facilitate competition.

Yesterday's proposals did not mention the status of Telia, the former telecoms monopoly, but the government confirmed partial privatisation of the state's 100 per cent holding was being considered. *Greg McIvor, Stockholm*

Referendums for Slovaks

Slovak President Michal Kovac has called two referendums, on direct presidential elections and Nato membership, to be held together on May 23 and 24.

The two concern a vote on a constitutional change to allow the president to be elected by a direct popular vote, and a decision on whether the country should join the North Atlantic Treaty Organisation.

The first was called after a petition organised by the opposition. The other was approved by parliament last month and has three questions – whether voters favour Nato membership, support the deployment of nuclear weapons on Slovak territory and support allowing foreign military bases on Slovak soil. *Reuter, Bratislava*

Fewer W Europe new cars

New car registrations in western Europe fell by 1.3 per cent last month, year-on-year, with a severe decline in France and a weak German market.

The poor figures, which mean new car registrations have dropped by 1.8 per cent in the first two months of this year compared with 1996, suggest carmakers may not meet their forecasts of slightly higher sales this year.

Last month's decline was attributable largely to France, where the termination of a government incentive programme last September has prompted a collapse in new car sales. Registrations fell by 25 per cent last month, according to provisional figures from the European Car Manufacturers' Association. Sales last month were also affected by a 3.3 per cent decline in Germany, Europe's biggest car market. *Haig Simonian, London*

Anglo-German prizewinners

Andrew Fisher, Financial Times correspondent in Frankfurt, was yesterday awarded the Anglo-German Foundation's 1997 journalism prize.

The prize for outstanding journalistic contribution for British-German understanding is traditionally awarded to both a British and o German print journalist for coverage of affairs in each other's country. The German winner was Jochen Wittman of the Sächsische Zeitung.

Andrew Fisher (above) has worked for the Financial Times since 1978.

300km M-ways for Hungary

Hungary plans 300km of motorway development at an estimated cost of Ft 300bn ($1.7bn) during the next seven years, the government announced yesterday. The new stretches will vastly improve international transit routes, completing links south towards the Yugoslav and Romanian borders and south-west to the Slovenian/Croatian border, and extend a route towards Ukraine.

Financing methods are being worked out, but the government is considering introducing a windscreen sticker to supplement or replace tolls, which have been judged too expensive and proved deeply unpopular with the public on the two existing toll routes introduced in the last 15 months. *Kester Eddy, Budapest*

Norway trade surplus up

Norway's trade surplus, excluding ships and oil platforms, rose to NKr8.9bn ($1.3bn) in February compared with a NKr6.8bn surplus at the same time last year. The Central Statistical Bureau said imports rose 0.6 per cent to NKr17.2bn and exports 9 per cent to NKr26bn. The figures highlighted Norway's dependence on its booming offshore economy. Excluding oil and gas sales, the onshore trade deficit grew to NKr4.3bn (from NKr4.2bn) as export revenues fell 0.2 per cent.

The value of oil exports rose 18 per cent to NKr11.1bn, propelled by a rise in average oil prices from NKr114 to NKr145 a barrel. The increase came in spite of a 7.5 per cent volume fall in oil exports, from 82.6m to 76.8m barrels. Exports of natural gas exports leapt nearly 33 per cent to NKr2bn. The trade surplus grew to NKr20.3bn in the first two months of 1997, compared with NKr14.8bn in the same period in 1996. *Greg McIvor*

Turks to curb Islamist organisations

By John Barham in Ankara

Mr Necmettin Erbakan, Turkey's Islamist prime minister, yesterday bowed to pressure from secularist generals and agreed during a cabinet meeting to carry out their demands that the government crack down on Islamist organisations.

Two weeks ago, during a session of Turkey's National Security Council, military commanders handed Mr Erbakan a list of 20 "recommendations" to curb the activities of Islamist organisations or face "sanctions".

Mr Lütfü Esengün, a minister from Mr Erbakan's Refah party, said yesterday: "The government is determined to fight the danger of fundamentalism. Ministries will start working immediately and will apply the decisions as soon as possible."

Turkey's small but growing Islamic businesses will probably be among the first organisations brought under tighter supervision.

The powerful council "recommended" that finance organisations under the control of religious sects be monitored and prevented from becoming economic forces; audio and visual media organisations following an anti-secular line should be appraised and where necessary brought in line with the stipulations of the constitution.

Small but growing Islamic businesses will probably be among the first organisations brought under tighter supervision

Islamic finance houses offering interest-free investments, industrial conglomerates run along Islamic lines and media companies catering for Islamist audiences are still niche players but have grown in influence in the last 15 years.

Even conventional business executives say the government will find it difficult to curb Islamic businesses. One banker said: "Technically the Islamists ara not doing anything wrong." Many Islamic businesses support tarikats, bannsd Islamic brotherhoods and contribute to Mr Erbakan's Refah party. Restricting Islamic enterprise would restrict Refah's funding.

Mr Osman Akyüz, general manager of Al Baraka Türk, Turkey's first and largest Islamic finance house, founded in 1985 by Saudi and local investors, said: "We follow the regulations and laws which the state applies. We are financing all sectors, not just Islamic sectors. There is no unlawful activity."

Mr Nevzat Yalçintaş, chief adviser at Ihlas Holding, an Islamist conglomerate, described the council's measures as unacceptable. "They are opposed to liberty, human rights and democracy, among them the freedom of religion and of expression." Ihlas has 25 branches in Turkey, with 10,000 depositors. It has an office in Frankfurt and is planning to open a second one in London.

Mr Yalçintaş claims "we are suffering just for ideological reasons. [Secularists] have a very fanatical attitude." He added: "I do not think the government would be so foolish as to abide by [the council's] advice. None of us has anything to do with sectarianism."

Even if the government is serious in enforcing the generals' demands, cracking down on these companies may be difficult in practice. Tarikats hava operated for more than 70 years. As well as funding religious education and foundations, they provide networks of contacts for Islamic businessmen and have good political connections.

Kim names rival as party chief

By John Burton in Seoul

Mr Lee Hoi-chang, one of South Korea's most popular politicians, yesterday emerged as a leading candidate in this year's presidential election after he was appointed chairman of the governing party.

The selection by President Kim Young-sam surprised political observers as Mr Lee is considered one of his chief political rivals.

As the new head of the governing New Korea party, Mr Lee appears to have obtained a clear advantage in gaining the party's nomination as its presidential candidate in the December election. Mr Kim is constitutionally limited to a single five-year term.

Mr Lee, 61, rose to prominence by leading an anti-corruption campaign as head of the government audit bureau after Mr Kim came to power in 1993. He was made prime minister in 1994, but was sacked after he criticised Mr Kim for being "too autocratic".

Mr Lee's popularity forced the president to recruit him to help lead the government's campaign in National Assembly elections last year. Recently, Mr Lee has criticised Mr Kim for forcing a controversial labour law (later revoked) through parliament and for an "inadequate" inquiry into the Hanbo Steel scandal.

Mr Lee is also seen as one of the strongest supporters of economic reforms among potential presidential candidates. His appointment as chairman of the New Korea party is part of a wide reshuffle of government posts in response to the Hanbo scandal. Senior presidential aides and nearly half the cabinet, including the prime minister, have been replaced.

By appointing Mr Lee, the president has apparently acknowledged he no longer has enough political power to select his own protégé as the party's presidential candidate.

Mr Kim has suffered a sharp fall in popularity in the past two months. Allegations that government officials had accepted payments in return for pressing banks to lend nearly $6bn (£3.75bn) to the failed Hanbo steel group tarnished his reputation as an anti-corruption campaigner.

The president is now under assault because of new suspicions that his son, Mr Kim Hyun-chul, engaged in influence-peddling by allegedly playing a key role in selecting government officials.

Mr Lee must compete against up to eight other candidates for the party's nomination, but most of them have been affected by close association with the beleaguered president. They include Mr Lee Hong-koo, former party chairman.

The president's grip over the divided party was further weakened this week when Mr Choi Hyung-woo, another presidential contender, who headed the party's majority faction loyal to Mr Kim, suffered an apparent stroke.

Lee: has criticised Kim

HK manufacturers seek a higher profile

John Ridding on pressure for a shift in economic strategy to rally the territory's industry

Free markets and continuity were the buzz-words of Hong Kong's budget this week. But as the territory prepares to return to China on July 1, there are pressures for a shift in economic strategy to accompany the shift in sovereignty.

The question is whether Hong Kong needs an industrial policy to bolster manufacturing. While the issue lacks the drama of diplometic disputes, it stirs strong emotions in the business community.

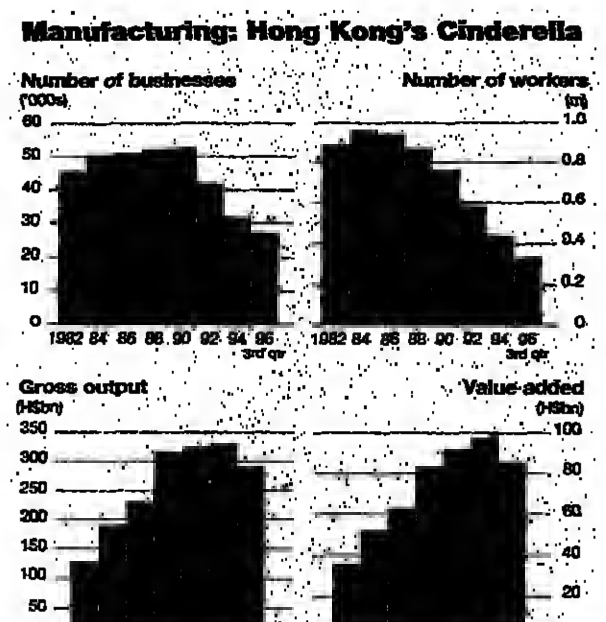
Mr Tung Chee-hwa, the territory's future leader, has signalled he favours a stronger manufacturing sector. "With suitable guidance from the government, entrepreneurs will be able to find a new industrial direction and rally Hong Kong's manufacturing industry," he told the Chinese General Chamber of Commerce last December.

Last week, he took a measured stance, stressing the importance of demand-led development. But he said be would study how the administration could assist in high technology and textiles.

Depending on one's view, support for manufacturing strikes a chord or sounds alarm bells. Tinkering with the territory's *laissez-faire* traditions, say critics, is unnecessary and damaging. It could ultimately lead to higher taxes and reduce Hong Kong's competitiveness.

Failure to act, supporters counter, will lead to further erosion in manufacturing, which has all but disappeared over the border. The sector's share of gross domestic product has shrunk from 24 per cent in 1979 to about 10 per cent today.

Manufacturing: Hong Kong's Cinderella



Source: Report on Survey of Industrial Production

That matters, says Mr James Tien, chairman of the Hong Kong General Chamber of Commerce and managing director of Manhattan Garments. In his view, over-reliance on services leads to a voletile and vulnerable economy. "We don't want to have all our eggs in one basket. What if there is a shock to world financial markets?"

Dr Raymond Chi'en, managing director of Lam Soon, the food processing group, says the aim is not to bail out sunset industries but to help build knowledge-based businesses. "We are skewed towards banks and property," he says. "This has given us a great run for 25 years, but it cannot go on forever." He believes there is a growing consensus that the economy requires "greater ballast".

One electronics executive dismisses the risk to the Hong Kong model. "*Laissez-faire* is a myth," he argues. "There is already a heavy government hand in housing and utilities. We think it is time to adjust the balance."

Proposals suggested to bolster manufacturing range from cheaper land for production sites, more science parks, tax incentives for research and development and a more selective immigration policy to ettract graduates and professionals.

Few back the Singaporean model of "picking winners". But Mr Tien believes something can be learned from its strategies. He suggests tax incentives could be offered to multinationals which could help foster local high-tech companies.

For many in the business sector, even steps towards government support prompt concern. "Hong Kong has established itself as the main financial and services sector in the region," says the head of one European bank. "It seems bizarre to suggest government should help manufacturing just when Korea and other interventionist economies are running into trouble."

"Hong Kong does not need high technology manufacturing," says Mr Howard Davies, professor of business studies at the Hong Kong Polytechnic University. "If significant resources were devoted to this approach, they would have to come from the taxpayer's pocket. The consequence could be an end to the low-tax environment in which small business has thrived."

Few believe Mr Tung or his supporters favour rapid or radical action. But they warn of e slippery slope. "No one sees a science park as e danger," says one executive. "But that won't deliver a high-tech industry; then there will be pressure for more."

He claims Hong Kong's manufacturing base has been transformed towards higher value-added marketing and design activities, rather than decimated. "These are old arguments about the decline of manufacturing. What is worrying, and what is new, is that their advocates are now more influential."

Opponents of intervention also have determined supporters, including Mr Donald Tsang, financial secretary. His stance suggests change will be resisted, possibly provoking strains in the new administration. But backers of a greater role for manufacturing believe their voice is now being heard.

"We have run out of time with Mr Patten [the present governor]," says Mr Tien. "But Mr Tung is aware of our position. I think he will do something."

ASIA-PACIFIC NEWS DIGEST

Thai insider dealing probe

At least two executives of Finance One, Thailand's largest finance company, which almost collapsed two weeks ago, are being investigated by the country's securities and exchange commission for allegedly violating insider trading rules in relation to the sale of stock in their own company.

Among those being investigated are Mr Pin Chakkaphak, president of Finance One and head of Thailand's Association of Finance Companies, and Mr Thermchai Phinyawetana, managing director.

Shares in Finance One fell more than 75 per cent in the six months up to its suspension after announcement of a preliminary deal to rescue the company by Thai Danu Bank, a small commercial bank. That rescue prompted Thai financial authorities to take measures to shore up Thailand's financial system and restructure debts of the property sector. *Ted Bardacke, Bangkok*

Beijing criticises US

Beijing yesterday criticised the US over Hong Kong and human rights, accusing Washington of Cold War thinking and saying ignorant American congressmen were trying to meddle in China's internal affairs. The US House of Representatives had wronged China on Tuesday when it approved a bill that called on Beijing to honour its promises on Hong Kong after its return to Chinese rule on July 1, Mr Cui Tiankai, a foreign ministry spokesman, said in Beijing.

A report by the US State Department that criticised China for human rights abuses and the crushing of almost all dissent was a slanderous attempt to provoke confrontation, the State Council said. *Reuter, Beijing*

NZ heading for 'soft landing'

New Zealand's economy was heading for the "proverbial soft landing" and current monetary conditions were too firm, the Reserve Bank said yesterday in its Economic Projections. Mr Don Brash, reserve bank governor, said his forecast was based on projections that the real economy was bottoming out with positive growth of about 2 per cent.

Inflation is expected to fall over the next 18 months while economic growth was forecast at about 3 per cent over the next 12 months. *Terry Hall, Wellington*

Tamil bases under attack

Sri Lankan forces launched air, naval and artillery strikes on Tamil rebel jungle bases in the north-east yesterday to disrupt guerrilla preparations for an attack, military officials said. The military said at least 200 rebels were killed in the raid. The LTTE rebels are fighting for an independent homeland for minority Tamils in the island's north and east. *Reuter, Colombo*

■ Sri Lanka is a safe country to which to repatriate Tamils who fail to meet Dutch criteria for asylum, The Hague's highest court with authority over refugee matters ruled yesterday. It rejected an appeal by three Tamils against a decision a year ago by Mrs Elizabeth Schmitz, junior justice minister, to send them back. The finding calls into question the future of several thousand applicants with cases pending. *Gordon Cramb, Amsterdam*

Australia and Indonesia set to sign sea boundary treaty

By Nikki Tait in Sydney

Australia and Indonesia were set to end almost three decades of tension and negotiation over maritime boundaries with the signing today of a treaty which draws permanent lines between the two countries.

The treaty, due to be signed this morning in Perth by Mr Alexander Downer, Australia's foreign minister, and Mr Ali Alatas, his Indonesian counterpart, sets out both seabed and "economic zone" boundaries from the seas north-west of Cape York in Queensland, through to Christmas Island, off Western Australia.

On the Indonesian side, the boundaries run for about 3,000km from offshore Irian Jaya in the east, to the area south-west of Java in the west.

Conclusion of the treaty – which has taken four years and eight rounds of talks to negotiate – is likely to be cited as further evidence of growing stability in the relationship between the two countries. This bas previously been troubled by mutual distrust and differences over human rights. Difficulties remain – notably over East Timor, which Indonesia has occupied since the mid 1970s – but ties have strengthened significantly over the past decade. In late 1995, Australia and Indonesia signed a defence treaty.

The waters between the two countries have economic significance, both as fishing grounds and because they are viewed as highly promising for oil and gas. Part of the difficulty in settling boundaries has been that, under United Nations conventions, the potential "exclusive economic zones" which both countries can claim overlap.

Australia will retain its right to the seabed boundaries set out in two earlier agreements in 1971 and 1972 running from offshore Arnhem Land to the south of West Timor. The innovative bnt controversial Timor Gap treaty, which was signed in 1989 and created a special "zone of co-operation" for the area lying south of East Timor, will also be undisturbed.

However, the current provisional fisheries surveillance and enforcement line (PFSEL), which runs slightly closer to the Australian coast than the seabed boundary, will determine the "exclusive economic zone" boundary. This will give Indonesia extra territory above the seabed. Australia, on the other hand, will gain some additional seabed acreage to the west of the Ashmore Islands and to the north of the PFSEL. The "exclusive economic zone" boundary around the Ashmore Islands will be redrawn in Australia's favour.

The agreement resolves the seabed boundary to the west of the point reached in the 1972 treaty. It also formalises a semi-circular "exclusive economic zone" for Australia to the south of Christmas Island (which is Australian territory) and sets a boundary line for Indonesia to the north of the island.

Nervous Jakarta clamps down on dissent ahead of election

Support for boycott grows □ Six months of ethnic violence

By Manuela Saragosa in Jakarta

Soldiers in full combat gear descended from helicopters into central Jakarte last week. They climbed on to motorbikes before speeding off into the busy city traffic. Indonesia is on alert ahead of the May 29 general election and the soldiers' infiltration of Jakarta's traffic is the authorities' latest show of strength.

Sri Bintang Pamungkas, one of Indonesia's most vocal opposition leaders, was last week arrested and charged with subversion – punishable by death in Indonesia – after be sent out Moslem greeting cards calling on voters to boycott the elections. Try Sutrisno, the vice-president, was among the recipients.

The military exercise and arrest come after a series of subtle, though ineffective threats, from President Suharto ahead of the poll. Mr Suharto now says he would "clobber" anyone who tried to unseat him, and other officials have warned against "destructive" people said to be out to destabilise the country.

The clampdown oo political dissent is not unusual in Indonesia but there is more at stake this time. Tensions have increased throughout Indooesia after an eruption of ethnic and religious violence in the past six months. The riots are widely viewed as a symptom of increasing frustration with the government over widening income gaps.

The riots have raised some uncomfortable questions ebout Mr Suharto's 30-year-old New Order regime, which insists that instability threatens impressive economic growth.

It is not illegal to abstain from voting in Indonesia, but a widespread boycott of the elections would create problems for Mr Suharto's ruling Golkar party, which has won every election since 1971.

Golkar wants a large turnout at the elections; a handsome victory in May would also maintain at least a samblance of legitimacy. Past elections have registered voter turnouts of at least 80 per cent.

Indonesians disenchanted with the Suharto regime will not have much choice on polling day. Only two other political parties are allowed to participate: the Moslem-led United Development party (PPP) and the Indonesian Democratic party (PDI).

The PDI's popular ex-leader Megawati Sukarnoputri has already been removed and replaced by a government-backed candidate last year. Her engineered dismissal provoked last summer's riots in Jakarta, the worst in the capital in two decades. Since then, the government has pursued her in the courts to disqualify her from contesting a seat.

Meanwhile, the many different Moslem factions making up the PPP have robbed the party of credibility as an effective opposition.

The idea of e mass boycott of the elections is not surprisingly, gaining support.

KIPP, an independent election watchdog committee, was set up in 1995 to monitor elections. But Mr Goenawan Mohammed, the former editor of the banned weekly newspaper Tempo, and head of KIPP, says his objective now is "to protect people who don't want to vote". He predicts that vote abstention this May will be "bigger than it used to be".

Others have joined the chorus, including disaffected PDI supporters of Ms Megawati. Meantime, a pre-Easter apostolic letter from the Indonesian Bishops' Conference, read out in many Catholic churches last month, broke its traditional silence on political issues when it told followers that not voting was not a sin.

Similar threats of a boycott have been heard within the political establishment. Last month, seven district branches of the opposition PPP said they would boycott the election unless campaigning rules were relaxed.

The government has since agreed to loosen its grip over the screening of campaign speeches and allow parties to nominate their own moderators in broadcast public debates. But there is little doubt the authorities will intervene whenever they feel threatened.

Lee apologises to Malaysia

By James Kynge in Kuala Lumpur

Mr Lee Kuan Yew, Singapore's senior minister, yesterday apologised unreservedly to Malaysia's government after a row which hit financial markets and prompted a call for Malaysian workers in Singapore to return home.

Mr Lee's rare apology was for a statement he made in a recent Singapore court deposition which described the southern Malaysian state of Johor as "notorious for shootings, muggings and car-jackings".

Commentators said the Singaporean senior minister's climbdown would probably be enough to repair deteriorating bilateral relations and restore composure to Singapore's currency and stock markets.

"The senior minister had no intention to cause offence and apologises unreservedly for the offence he has caused to the government and people of Malaysia by his statement on Johor," a statement by Mr Lee's press secretary said.

The statement came after financial markets closed, and after a day of government-sanctioned demonstrations in Malaysia which bitterly denounced Mr Lee. The benchmark Straits Times Industrials Index closed down 23.06 points, or 1.06 per cent, at 2,154.33. The Singapore dollar touched a 17-month low of S$1.4363 against its US counterpart in early trade, but settled to S$1.4339 later.

Mr Lim Ah Lek, Malaysia's human resources minister, urged Malaysian workers in Singapore to return home in retaliation because "Singapore does not seem to value our good relationship". Mr Lee's apology is likely to take the sting out of the Malaysian minister's threat.

In spite of his apology, Mr Lee was the target of denunciation as over 100 members of the youth wing of Malaysia's United Malays National Organisation (Umno), the dominant party in the country's ruling coalition, demonstrated in Johor Baru city. Placards read: "Kuan Yew stupid" and "Mr Lee, you are senile".

Dr Mahathir Mohamad, the prime minister, kept his own counsel as he walked among the protesters. He said Mr Lee should make amends for his words in some way, and added that the episode had unmasked difficulties in existence for some time.

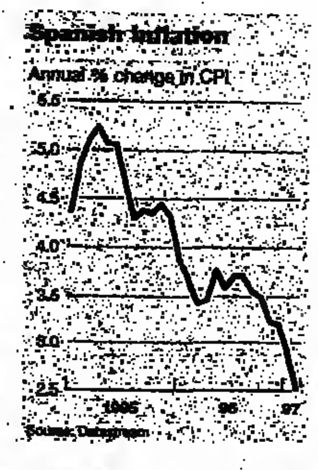
The two countries have had a cool relationship since Singapore was thrown out of a two-year union in 1965. Economic competition has since intensified, contributing to the mistrust.

Lee: rare climbdown

NEWS: EUROPE

Spanish inflation drops sharply

By David White in Madrid



Spain took a step nearer qualifying for the European single currency yesterday, with a sharp fall in inflation to 2.5 per cent in the 12 months to February, its lowest rate for more than 28 years.

The surprise fall, from 2.9 per cent in January, raised expectations the Bank of Spain would cut its benchmark interest rate at its regular securities repurchase auction today, from the current 6 per cent.

This would be the 10th successive reduction in official interest rates since December 1995.

The centre-right government said the February price figures put Spain in line to fulfil the crucial inflation target for countries joining the euro on the planned launch date of January 1, 1999.

Contrary to forecasts, the consumer prices index fell by 0.1 per cent from January, mainly reflecting lower food prices.

The blockage of many road supplies during a two-week truck drivere' campaign appeared to have had no impact on the price trend.

Analysts had forecast a 0.1-0.2 per cent rise in the index and a 12-month rate of 2.7-2.8 per cent.

Underlying inflation – leaving aside volatile fresh-food and energy prices – fell even more dramatically from a 12-month rate of 2.8 per cent in January to 2.3 per cent.

The Banco Central Hispano banking group said this "practically guaranteed" Spain would achieve an average monthly inflation rate below 2.5 per cent for the year, which would bring it within the expected target range for joining the euro. This compares with an average Spanish rate last year of 3.7 per cent.

Spain is now seen as qualifying on three of the five entry conditions for the single currency: currency stability, long-term interest rates and inflation.

Its main challenge is meeting the public-sector deficit target of 3 per cent of gross domestic product, after a 4.4 per cent rate last year.

Figures for the first two months showed the central government deficit, measured according to the European convergence criteria, virtually unchanged from last year at Pta287bn ($1.97bn).

The government is counting on a lenient approach to candidate countries' public debt levels, after an increase last year to 69.3 per cent of Spanish gross domestic product from 65.8 per cent in 1995, well above the 60 per cent target ceiling. It expects a slight reduction in this level by the end of the year.

The February price figures mean that, for the first time in recent memory, Spanish inflation now stands below the country's expected rate of economic growth for the year. The CEOE employers' federation said the figures should help to keep wage demands down.

However, the Bank of Spain has warned that the recent strength of the US dollar, with its impact on imported energy prices, could limit the scope for further reductions in inflation during the year.

Transparency call on banks' holdings

By Tom Burns in Madrid

As Spain's privatisation programme gathers steam, Mr Juan Fernández-Armesto, the new national stock exchange regulator, is drawing up strict guidelines to ensure transparency over market listings controlled by the powerful domestic banking establishment.

A circular issued to banks shortly by the Madrid-based stock exchange commission will insist that they set up "Chinese walls" in order to separate corporate finance and investment management activities.

This division is common elsewhere, but the lines are blurred in Spain where financial institutions offer a range of banking services and are also big industrial investors.

In contrast to piecemeal sales of state equity in order to lower budget deficits under the previous Socialist government, the Popular party cabinet advocates "people's capitalism" through reduction of the public sector.

A committee advising privatisatinn procedures has recently begun to voice concern over potential lack of transparency when disposals are led and underwritten by banking groups that are also the main shareholders of the companies whose government-held stock is being offered to the markets.

This worry, shared hy members of the stock market commission, surfaced with the privatisation of Telefónica, the telecoms operator, last month when it became the first big company to be fully privatised through a market listing.

Banks will be asked to separate their corporate finance and investment management activities

The sale was co-ordinated by Bancn Bilbao Vizcaya, BBV, and La Caixa, the big Barcelona-hased savings bank, as well as by Morgan Stanley of the US.

The two domestic institutions control together some 10 per cent of Telefónica's stock and are represented on its board.

Next month Repsol, the oil, gas and chemicals conglomerate will also be fully privatised when the state offers its remaining 10 per cent stake to the markets in a disposal worth $1.1bn.

In October state ownership of Endesa, the dominant electrical utility, is due to be reduced from 66 per cent to below 50 per cent and the company will be fully privatised by the end of 1999.

BBV is also a core shareholder of Repsol and rival bank Santander has a big stake in Endesa.

BBV and Santander will co-ordinate the sale of Repsol and Santander is hoping to gain the mandate for the disposal of Endesa.

In eddition to being direct industrial investors, the big financial houses account for 80 per cent of the domestic funds under management that are now heing called upon to replace the state as equity holders.

The banking groups are meanwhile at the centre of the domestic corporate finance business tbat arranges listings as well as mergers and acqnisitions and they are, through their broking units, the decisive players on the stock market.

German coal row spawns two winners

Peter Norman on a compromise over assistance

Yesterday'e compromise about support for Germany's loss-making coal industry enabled both the Bonn government and I G Bergbau, the miners' trade union, to claim they had secured their main objectives.

The government could say the planned reductinn in subsidies was in line with last week's blueprint which sparked the demonstrations in Bonn of thousands of miners from the Ruhr and Saar coalfields. Total annual assistance for the industry will be cut to DM5.5bn ($3.2hn) in 2005 from DM8.91bn this year.

IG Bergbau, however, won a pledge of no obligatory dismissals as the industry sheds about 46,000 of its 85,000 workforce by the middle of the next decade.

Under German labour law, obligatory dismissals hit younger workers especially hard, while giving greater protection to older employees.

In Germany'e coalmines, where the average age of the workforce is about 32 and there is a high proportion of older foreign workers, mainly from Turkey, obligatory dismissals could have spawned social and racial tensions.

The Bonn government will provide an extra DM1.65bn between next year and 2005, with DM900m of this support coming between 1998 and 2000. This will be on top of the DM55.3bn of federal support proposed last week for the nine years from 1997 to 2005 and the DM1.6bn which Bonn agreed to pay on behalf of the impoverished state of Saarland.

North Rhine-Westphalia will provide a total of DM9.61bn between 1997 and 2005. Bonn originally wanted the state government in Düsseldorf to provide DM1.5bn a year.

Hans Berger, chairman of the German coal miners' uninn, leaves the Bonn Chancellery after talks with Chancellor Kohl which ended in a compromise avoiding mass lay-offs

Instead it has agreed to increase its support from DM860m this year to DM1bn a year between 1998 and 2000 and to DM1.15bn in each of the five years to 2005.

Ruhrkohle, Germany's main coal producer, will contribnte a total of DM1hn spread over five years to 2005. This money will come from Ruhrkohle's non-coal profits and be guaranteed by tbe Bonn and Düsseldorf governments.

The Bonn government has made the extra federal payments of DM300m a year between 1998 and 2000 contingent on a merger of Ruhrkohle with the smaller Saarbergwerke which mines coal in the Saar.

This transaction will entail Ruhrkohle acquiring Bonn's 74 per cent Saarbergwerke's DM580m capital.

Bonn's payment of DM200m a year for the Saar government depends on the Saar also transfering its 26 per cent stake in Saarbergwerke to Ruhrkohle.

Mr Günther Rexrodt, the Bonn economics minister, yesterday made clear that the government would make further, as yet unspecified, funds available to retrain redundant mincrs aud encourage new businesses in coal mining areas.

The compromise falls well short of meeting I G Bergbau's original goal of subsidies fixed indefinitely at DM6.5bn a year from 2005. The future of Germany's coal industry after that date will be discussed early in tbe next decade but looks hleak.

But the "socially acceptable" run down of the industry will still cost a buge DM69.16bn in support for sales and pit closures from now to the end of 2005.

Of this, DM68.16hn will come from the taxpayer through the federal and Nortb Rhine-Westphallan governments.

Doubts over start of Emu surface in Asia

By John Ridding in Hong Kong

Uncertainties surrounding European econnmic and monetary uninn could hurt investment in Europe by Asian financial authorities, Mr Joseph Yam, the head of the Hong Kong Mnnetary Authority, warned yesterday.

"We are somewhat concerned about the uncertainties eurrounding Emn and their possible impact on the performance nf financial markets in Europe," said Mr Yam, chief executive of Hong Kong'e de facto central bank, at a conference in Frankfurt.

"Prudential considerations in the management of public funds require the adoptinn of risk-averse strategies, in this case possibly a reductinn nf exposure," he said.

"The Asian economies are substantial holders of the world's official foreign reserves."

Five out of the seven largest foreign reserves holders in the world are in Asia, managing a total of about US$600bn.

Hong Kong alone has accumulated fnraign exchange reserves of more than US$66bn, partly held to support the Hong Kong dollar in case of speculativa assault during the transition to Chinese sovereignty in July.

The latest breakdown for funds held in the territory's exchange fund showed that at the end of 1995 more than 80 per cent of its assets were held in US dollars.

The only significant European currency in which assets were denominated was the D-Mark, which then accounted for 4.5 per cent of holdings.

Mr Yam said uncertainty over Emu and its implications for financial markets might reflect lack of understanding by Asian authorities.

But, be added, "it may also be a reflection of lack of clear explanation to the Asian andience nn the important issues that you face and how you propose to resolve them".

While Mr Yam said that it was not difficult to see the long-term theoretical benefits of a currency union in Europe, he stressed the need to keep the Hong Kong and Chinese currencies separate after the transfer of sovereignty to Beijing. Mr Yam also dismissed the idea of monetary union in Asia.

Czech cabinet seeks ways to boost economy

By Vincent Boland in Prague

A sharp slowdown in the Czach economy early this year has forced the government to rethink its plans, suggesting more radical reforms might be introduced to shake up the economy.

Ministers this week postponed plans to cut the basic rate of tax paid by companies from 39 per cent to 35 per cent and raise value added tax on petrol, alcohol and tobacco while the cabinet considered the extent of the economic slowdown and the reasons for it.

Figures showed industrial output had fallen by 3.9 per cent in January while construction output fell by 18.6 per cent. But wages continued to soar, with the nominal industrial wage rising 14.4 per cent despite government efforts to rein in pay increases.

The gloomy economic backdrop loomed over a cabinet meeting on Wednesday at which tha tax and price changas were due to he approved, bnt which turned into a discussion on the poor state of the economy.

At the meeting, ministers agreed only to raise energy prices and to begin deregulating state-controlled rents. This will raise rents by 20-100 per cent depending on location.

The average cost of a three-room flat in Prague is expected to rise by Kc 800 ($27) a month. The aim is to end all regulation nf rent prices by the year 2000.

Further bad news is likely next week when the official growth rate of the economy in 1996 is published.

This is likely to show that GDP growth fell to 4-4.5 per cent, compared with forecasts a year ago that it would expand by up to 5.5 per cent.

Mr Václav Klaus, the prime minister, this week blamed the central bank for the slowdown, saying restrictive monetary policies introduced last year to fight inflation had hurt industry too much.

With the 1996 reporting eeason under way, many Czech companies are reporting earnings below forecasts, sending share prices into a steep decline.

Italian accord on jobs programme

By Robert Graham in Rome

The parties in Italy'e centre-left government yesterday staged a show of unity over emplnyment legalisation in an attempt to patch up growing policy differences.

At a meeting of party leaders agreement was reached on emergency measures to stimulate jobs, especially in the south where unemployment is over 20 per cent. The accord represented the first step in the task of forcing Reconstructed Communism (RC) to respect tha government's programme.

The RC votes are vital for the government majority in the chamber of deputies. But since last April's general elections this party, formed from the hardliners in the now defunct Communist party, has refused to endorse the programma of the centre-left Olive Tree alliance. Under the astute leadership of Mr Fausto Bertinotti, RC has held the government to ransom on a case by case basis.

This has caused increasing frustration within the government and has threatened to derail key initiatives to cut the budget deficit and over privatisation.

Mr Massimo D'Alema, leader of the Party of the Democratic Left (PDS), the dominant partner in the government, has tried to persuade RC to endorse a legislative pact. A formal commitment from RC in this respect has acquired heightened significance given plans to introduce a spring mini-budget and cnt pensions and welfare benefits to ensure Italy meets the criteria for membership of the European single currency.

Yesterday's meeting was the first of its kind under the centre-left administration. The difficulty of bringing RC to heel was underlined by the way the encounter focused solely on jobs – the area where agreement was easiest to achieve.

"The stalemate within the government majority has been broken," Mr Bertinotti said after the meeting. "The problem of employment is so dramatic that we must do something effective quickly, and now we can do this."

The measures to help cut Italy's 12.2 per cent unemployment rate were agreed in outline last September at a summit with unions and employers.

NEWS: WORLD TRADE

World tyre industry may face shake-out

Middle-ranking companies are squeezed between sector leaders and aggressive new entrants

By John Griffiths

After five years of consolidation, the world's tyre industry is likely to face another round of restructuring over the next decade, according to new research by the Economist Intelligence Unit.

Analysing the performance of the 12 largest tyre companies, accounting for more than 80 per cent of world sales, the EIU concludes that it is the companies ranking immediately below the "Big Three" – Bridgestone, Michelin and Goodyear – which face the fiercest competition.

They lack the economies of scale of the biggest companies and are most at risk from aggressive emerging country producers, the EIU says, although its analysis is unlikely to go uncontested by the industry itself.

Continental of Germany, Sumitomo of Japan and Pirelli of Italy – ranked fourth, fifth and sixth – are all substantial businessses and themselves account for nearly a fifth of the industry's $70bn turnover.

However, they have many of the disadvantages of size without the compensating advantages, the researchers say. Because each has tyre sales of much less than half that of each of the "Big Three", marketing and research and development costs have to be spread over much smaller production volumes.

"They have a world presence but typically they are significant players in only two or three regions and they do not dominate or lead in any region. In this situation it is difficult to earn the profit margins enjoyed by ths industry leaders. And these companies show signs of being squeezed between the really large companies, which enjoy economies of scale, and the smaller, more focused companies which are growing through concentration on niche products or specific geographic areas."

The point is made by reference to operating profit margins. The research shows that those of the "Big Three" average 7.8 per cent last year, compared with 4.7 per cent for Continental, Sumitomo and Pirelli.

Nevertheless, it also shows that the three smaller companies have fared better than the top three in improving their margins over the past three years. The top three's 7.8 per cent is only marginally better than the 7.6 per cent achieved in 1994, whereas the three smaller companies have improved from just 3.7 per cent.

Pirelli, for one, says its improving margins show that its strategy of increasingly targeting high value-added, niche performance tyre business – while retaining a stake in more mainstream business – is paying off. And new flexible manufacturing technology, allowing commercially viable production of tyres in batches of as low as 150-200 units, means that "Pirelli no longer feels particularly disadvantaged at the lack of scals economies enjoyed by the Big Three," according Mr Giuseppi Bencini, managing director of Pirelli Tyres.

Mr Bencini points to the company's exclusive supply contract, for Jaguar Cars' new XK8 sports car, of a tyre developed with Jaguar engineers from scratch specifically for the XK8, as further evidence of the strategy working.

Like Germany's Continental, Mr Bencini maintains that collaboration between companies on specific projects is as likely a route to viability as further big takeovers.

One example is provided by Continental itself, which is collaborating with Michelin. Continental is providing Michelin with budget tyres from its low-cost plants in eastern Europe, while Continental has secured the right to use the Michelin-owned Uniroyal brand name for Continental-produced premium tyres throughout Europe.

However, the EIU says the big second-tier companies also face a potential squeeze from below, in the form of aggressively expanding concerns from the Asia-Pacific region, notably Kumho and Hankook of South Korea. Kumho is already ranked tenth in the world with sales of $1.1bn. Hankook is only marginally behind in 11th place but has boasted of its intention to rank fifth within a few years.

The EIU warns that, just like South Korea's car industry, both are in danger of expanding too fast for their own resources. "But providing they continue to survive they pose a real threat to the medium-sized players, particularly Sumitomo and to the other Japanese tyre makers such as Toyo and Yokohama."

The industry and EIU research find common ground, however, in predicting that some competitive pressures should be offset by steady growth in demand for tyres as vehicle use increases in the emerging world.

Total demand, covering both original and replacement tyres is projected to rise by about 19 per cent between last year and 2005. However, only 6 per cent growth is forecast for the developed markets of Western Europe and North America, compared with a rise of 36 per cent for developing world markets.

The World Tyre Industry: A New Perspective to 2005. The Economist Intelligence Unit, 15 Regent Street, London, SW1Y 4LR. £595/$945

World's leading tyre manufacturers 1995

Company	Country	Sales* ($m)
Bridgestone	Japan	13,000
Michelin	France	12,278
Goodyear	USA	10,105
Continental	Germany	4,938
Sumitomo	Japan	4,137
Pirelli	Italy	2,987
Yokohama	Japan	2,860
Toyo	Japan	1,524
Cooper	USA	1,267
Kumho	S Korea	1,147

*Tyre sales. Source: EIU

Forecast of world car tyre sales

1996-2000 and 2005 (m units)

	1996	1997	1998	1999	2000	2005
Western Europe	[illegible]	[illegible]	65.0	64.1	63.2	[illegible]
Eastern Europe & Russia	9.4	9.9	10.6	11.2	11.7	16.4
North America	[illegible]	64.5	67.8	67.7	69.1	75.8
Latin America	7.8	8.2	8.2	8.6	9.1	11.0
Asia	[illegible]	71.7	73.3	74.4	75.9	85.2
Others	2.6	2.7	2.8	2.9	3.0	3.8
Total	217.9	[illegible]	[illegible]	228.8	232.0	258.6

Source: EIU forecasts

Virgin switches partners

By Michael Skapinker, Aerospace Correspondent

Virgin Atlantic, the UK airline, yesterday said it was ending its partnership with Delta Air Lines of the US and concluding an alliance with Continental Airlines of the US instead.

Virgin's announcement leaves Delta without a UK partner, although it has European alliances with Swissair, Austrian Airlines and Sabena of Belgium. Aviation analysts have identified Delta as a possible partner for British Airways, should the UK carrier's planned alliance with American Airlines fail to win regulatory approval.

Virgin and Delta said they would end their two-year-old code-sharing agreement in August. Both sides said their parting was amicable. Under the agreement, the two sides sold seats on each other's transatlantic flights. The alliance gave Delta's passengers access to London's Heathrow airport, where the US carrier has no landing rights.

Virgin said: "We don't think either side feels let down. Ws spoke to Delta a long time ago about this and said that this would be the route we would want to go down. This won't come as a surprise to them." Delta said: "This is a mutual decision. There are no hard feelings."

Under Virgin's planned alliance with Continental, which requires the approval of both governments, the two carriers will exchange blocks of seat on their flights between New York and London. Continental will also sell blocks of seats on Vi[rgin's] flights from London [to] Boston, Washington, Lo[s] Angeles, Miami, Orlando a[nd] San Francisco.

Mr Gordon Bethune, Co[n]tinental's chairman, sai[d]: "Although this arrangeme[nt] will give Continental limit[ed] access to Heathrow, it [is] nowhere near what we nee[d] to counter the juggernau[t] being proposed by Britis[h] Airways and American Ai[r]lines."

Industry observers belie[ve] that Virgin'e decision [to] change partners is the resu[lt] of the close relationsh[ip] between Mr Richard Bra[n]son, Virgin's chairman, a[nd] Mr David Bonderman, t[he] US investor who rescu[ed] Continental from ban[k]ruptcy.

Texas Pacific Group, M[r] Bonderman's investme[nt] vehicle, has taken stakes [in] Virgin's UK cinema and ra[il]way businesses.

While BA remains firm[ly] committed to concluding i[ts] alliance with American Ai[r]lines, the planned deal h[as] run into stiff opposition fro[m] other US airlines and fro[m] the European Commissio[n]. BA and American are t[he] two strongest transatlant[ic] operators at Heathrow a[nd] other airlines say their al[li]ance would give them [an] overwhelmingly domina[nt] position.

Delta, by contrast, ha[s] been unable to win the rig[ht] to operate at Heathrow a[nd] uses London's Gatwick a[ir]port instead. Indust[ry] observers believe Del[ta] would be keen on a tie-u[p] with BA but accepts that t[he] UK carrier's alliance wi[th] American is more likely [to] go ahead.

WORLD TRADE NEWS DIGEST

Wal-Mart ends Cuba dilemma

A brief nightmare for Wal-Mart, the big Arkansas-based discount retailer, has ended with a decision by its Canadian subsidiary to resume sales of cheap pyjamas made in Cuba. Wal-Mart Canada removed the long-sleeved men's pyjamas from its 136 stores last month amid concern that it might have contravened the long-standing US trade embargo against Havana.

However, the move triggered the first clash between a US company and a foreign government over enforcement of US sanctions by third countries, as required by last year's Helms-Burton law. Canada retaliated against Helms-Burton in January with amendments to its Foreign Extraterritorial Measures Act (Fema), barring Canadian companies (including foreign subsidiaries) from complying with the US law. Canada's justice department was asked to investigate Wal-Mart's action as a possible breach of Fema.

The retailer said yesterday its about-turn followed "a comprehensive review with customers, legal advisers, and Canadian government officials and reflects our commitment to meet the expectations of the Canadian marketplace". It said the pyjamas, selling for C$12.96 (US$9.47) a pair, should be back on the shelves by the weekend. Wal-Mart now appears to be in compliance with both US and Canadian law. *Bernard Simon, Toronto*

Thais seal Burma gas deal

A consortium of international oil companies yesterday formalised an agreement to sell 200m cubic feet a day of natural gas from Burma's offshore Yetagun field to Thailand beginning in late 1999. Texaco of the US, Premier Oil of the UK, Nippon Oil of Japan, PTT Exploration and Production of Thailand and Burma's Myanmar Oil and Gas Enterprise will sell the gas to the Petroleum Authority of Thailand over a 15-year period. There is an option to increase sales to 400m cubic feet per day over 25 years.

The gas will be transported in a pipeline that is expected to run along the same route through Burma as another pipeline which is currently under construction by a consortium led by Total of France and Unocal of the US. *Ted Bardacke, Bangkok*

Call for EU-Mercosur summit

President Jacques Chirac of France yesterday called for a heads of state summit next year between the European Union and Mercosur, the South American trade grouping, to boost the economic links between the two regional blocs.

Speaking on his first trip as president to Latin America, he also proposed a further summit between all European and Latin American heads of state the following year.

The proposal is an attempt to steal the initiative from the US which is the biggest foreign investor in Brazil, and which is involved in negotiations to create a 34-country free trade area for the Americas (FTAA) by 2005.

The members of Mercosur are Brazil, Argentina, Paraguay and Uruguay. Chile and Bolivia are associate members. The negotiations to create the FTAA have been proceeding slowly, despite pressure from the US and Canada for a prompt cut in tariffs. *Geoff Dyer, Saõ Paulo*

IT pact wins more adherents

Ms Charlene Barshefsky, the US trade representative, yesterday said countries accounting for 92 per cent of world trade covered by the proposed Information Technology Agreement have now agreed to the deal, and several other countries could join up as well.

Under the ITA, duties will be eliminated on products such as computers and information technology products, semiconductors and telecommunications equipment. It is estimated to represent about $500bn in trade.

The accord was announced at a meeting of the World Trade Organisation in Singapore. Launch of the pact is scheduled for March 26 and the EU has agreed to halve its tariffs on semiconductors, starting in July. The tariff will be phased out by 1999. *Nancy Dunne, Washington*

NEWS: THE AMERICAS

Current account shortfall in 1996 was largest for nine years

US deficit worsens as imports rise

By Nancy Dunne in Washington

The US current account deficit, the broadest measure of the country's trade performance, last year rose to $165.1bn, according to the US Commerce Department.

It was the worst trade showing since 1987 and the second worst in US history.

The deficit was driven, as usual, by the merchandise trade gap, which jumped to $187.7bn from $173.4bn.

Exports of goods rose from $575.9bn to $611.7bn, but imports increased even more – from $749.4bn to $799.3bn.

Most analysts see no turnaround in the trade picture. By most measures, the US economy is still in a very healthy state and Americans are snapping up foreign goods in much greater volumes than consumers abroad are buying imported US goods.

Services, the one consistent bright spot on the current account, registered a $73.5bn surplus, up from $68.4bn. The deficit on investment income increased to $8.4bn in 1996, up from $8bn in 1995.

"The US has been able to import capital from abroad to invest in the US at higher levels, and that's good," said Mr Clyde Prestowitz of the Economic Strategy Institute. "But the debt is growing faster than the economy and that could mean trouble later on."

There was some good news in the report. Foreign assets in the US increased $525bn, compared with an increase of $424.5bn in 1995. Net foreign purchases of US Treasury and non-Treasury securities and foreign direct investment inflows were sharply higher.

The trade picture also improved in the fourth quarter. The goods deficit declined from $51.9bn in the third quarter to $45.3bn. The services surplus rose from $17.6bn to $19bn.

Services payments increased from $38bn to $38.5bn as travel, passenger fares and other private services rose. The deficit on investment income fell to $2.4bn in the fourth quarter from $4.1bn in the third. Income receipts rose from $48.7bn to $52.6bn.

In a separate report, the Telecommunications Industry Association said factory sales of telecommunications equipment reached $63.7bn last year, a 16 per cent increase of 1995. The 1996 US trade surplus in telecommunications equipment was $3.6bn.

Power groups 'brutal future'

By Christopher Parkes in Phoenix, Arizona

US power companies face falling profits and a "brutally competitive" future as deregulation of the electricity industry next year starts to sweep away regional and local monopolies which now dominate the market.

"You must cut costs ruthlessly by 50 or 60 per cent," Mr Jeffrey Skilling, president of Enron, told an industry conference. "Depopulate," he urged. "Get rid of people. They gum up the works."

Enron, one of a new breed of integrated energy groups positioning itself to take advantage of the free market, went through five years of "absolute chaos" following the liberalisation of US gas markets in the mid-1980s, he admitted.

"Electricity will become one of the most brutally competitive markets with all the unfavourable characteristics of commodity chemicals, and none of the positives."

Mr Hawk McIntosh, an executive with Andersen Consulting, the conference organiser, warned utility earnings could tumble by up to 50 per cent during the transition to a free market.

Presenting a computer model of the impact of change, based on experiences in the UK, Australia and Scandinavia, where deregulation is most advanced, he said power companies could see 30 per cent of industrial, 20 per cent of commercial, and 10 per cent of residential customers switching to alternative suppliers. Net prices could fall by up to 10 per cent.

Reduced margins, the cost of retaining existing, and acquiring new customers, introducing new, products and services, and expenses associated with cutting operating costs could halve earnings per share, he said.

His model, dubbed "Shocker", was based on an analysis of a composite "company" comprising 23 existing US electricity groups with 45m customers and $90.5bn revenues, and current earnings per share of $2.40.

Utilities needed urgently to discover more about their customers, the better to fulfil their needs and fight off competitors. "What is so scary is that we [in the US] think we are smarter than everyone else and don't need lessons from outsiders," Mr McIntosh declared.

Reno: wrongly assumed FBI would pass on information to White House Reuter

Reno admits confusion on China fund claims

By Leyla Boulton in Washington

Ms Janet Reno, the US attorney general, said yesterday that she had been told as long ago as May about alleged Chinese efforts to influence last year's congressional elections, but had assumed the FBI would pass the information on to the White House.

The revelation threw further doubt on the quality of communications among US government bodies.

President Bill Clinton said earlier this week that he had only recently found out about the allegations because National Security Council officials thought that FBI agents did not want them to pass the information to the president or other senior officials.

Ms Reno said yesterday she had ordered an internal review into the "misunderstanding" between the FBI and the White House National Security Council that had led to the president not being told.

Having been briefed by the FBI, she said she had tried and failed to reach Mr Anthony Lake, then White House National Security Adviser. She said she had told the FBI "to make sure that the briefing would take place – everybody would be briefed".

Bill to end oil monopoly approved in Brazil

By Geoff Dyer in Sao Paulo

The lower house of the Brazilian Congress has approved a bill ending the 40 year-old state monopoly of the oil and gas industries, expected to lead to private-sector investment worth several billion dollars.

The bill, approved by 307 votes to 107, will create an independent regulator for the industry, end fuel price subsidies after three years and allow Petrobrás, the state oil giant, to enter into joint ventures with foreign partners.

Government leaders delayed until next week votes on a number of controversial amendments, which must also be passed by the Senate.

Approval comes over 18 months after Congress passed a constitutional amendment to end the state's oil and gas monopoly.

Deputies have still to vote on an amendment allowing for privatisation of Petrobrás, supported by the Liberal Front Party, a central member of the government coalition, but opposed by many other members of the government. To secure approval for the constitutional amendment ending the state oil monopoly, President Fernando Henrique Cardoso promised in 1995 that Petrobrás would never be privatised.

A further amendment seeks to change a controversial clause in the bill which allows only licensed distributors to sell petrol derivatives for the first five years, which some believe will not result in sufficient competition.

Petrobrás, which will lose its monopoly for oil exploration in Brazil, plans to spend $22bn over the next five years to double its production of 864,000 barrels a day.

AMERICAN NEWS DIGEST

Bahamas PM set for return

The Bahamas' success in expanding its offshore financial sector and its tourism is expected to bring victory for the ruling incumbent Free National Movement of Mr Hubert Ingraham, in today's general election.

The FNM is being challenged by the Progressive Liberal party of Sir Lynden Pindling, who was prime minister for 25 years until 1992. The polls have forecast that the FNM will receive 51 per cent of the vote, with 30 per cent going to the PLP and the rest undecided.

Mr Ingraham, a 49-year-old lawyer and once an MP in the PLP, has based his campaign on what he said was his administration's "repair" of the economy, "damaged" by a PLP administration too long in office.

The economy of the archipelago of 260,000 people has been growing for four years, and grew 3 per cent last year, according to the Caribbean Development Bank. There have been heavy investments to expand hotel capacity to improve tourism, which accounts for 40 per cent of GDP. *Canute James, Kingston*

Air shooting 'premeditated'

The shooting down of two civilian aircraft in February last year was a "premeditated act" and a "violation of the right to life", according to the UN special investigator into human rights in Cuba.

In his report to the UN's Human Rights Commission currently meeting in Geneva, Mr Carl-Johan Groth, a Swedish diplomat, said yesterday the Cuban government had continued intense harassment of dissidents in 1996.

One positive development, however, was that the number of trials of dissidents and the length of sentences had been smaller than in previous years. *AP, Geneva*

Colombia emergency rejected

Colombia's Constitutional Court has rejected the state of economic emergency which the government used in January to put through special decrees to raise $800m in fiscal income. The court decided the budget deficit was chronic rather than extraordinary and the government should have used normal channels to tackle it.

Although this is more of a political than an economic blow, it revives uncertainties about the economy just as the outlook is improving. Emergency decrees affected by the decision include a tax on foreign borrowing, an increase in stamp duty and several administrative measures. *Sarita Kendall, Bogotá*

Venezuela telecoms strike

Employees of the Venezuelan telecommunications company, CANTV, yesterday launched a nation-wide indefinite strike, following weeks of unsuccessful negotiations with the company over salary increases.

CANTV said few employees participated in the work stoppage and 95 per cent were working. Neither the domestic nor the international telephone service was affected, it said.

Mr Alfredo Ramos, head of the Caracas CANTV union, said the national guard used tear gas to disperse protesting workers outside the CANTV headquarters and were "pressuring employees to resume their activities".

The CANTV share price, down 15 per cent in two weeks in anticipation of labour protests and of a possible government refusal to increase telephone rates, recovered more than 5 per cent yesterday. *Raymond Colitt, Caracas*

NEWS: UK

Robbery highlights lucrative business for US banks which export billions of dollars in cash

Russians are suspected in Heathrow theft

Financial Times Reporters in London and Moscow

UK and US investigators believe Russian organised crime groups may be behind the recent theft of \$2.5m in \$100 bills from Heathrow airport in London. The theft on February 25 has sparked a transatlantic investigation involving intelligence and security services.

Authorities are investigating whether the theft involved Heathrow employees connected with organised crime rings in Russia.

The robbery highlights what has become a locrative business for a handful of US banks which ship billions of dollars in cash abroad each year. The Federal Reserve Bank of New York says dollars are now a reserve currency in high-inflation environments snch as Russia where transactions made for roubles lose value too quickly. It is happy to sell cash abroad because it amounts to an interest-free loan to the Treasury saving US taxpayers millions of dollars.

In 1994 and 1995, the New York Fed estimates at least \$40bn in high-denomination US bills was shipped to the former Soviet Union.

The Financial Action Task Force, an international regulatory group of which the US is a member, urges countries to "try to encourage the replacement of cash transfers" in an effort to limit money laundering. "Large volumes of cash and other types of transfers continue to make their way from these countries (eastern Europe and the former Soviet Union) into the banks and financial institutions of FATF member countries," the group concludes in its latest report.

One western investigator said: "The supply of physical dollars to Russia fuels a huge black economy which involves everything from tax evasion to money laundering. The Heathrow robbery raises more questions than answers, but it could be the tip of an iceberg."

Russia has yet to pass money laundering regulations and its hundreds of private banks are frequent targets for organised crime.

The stolen money was being transferred to Moscow from the London office of Republic Bank of New York, one of the largest US commercial banks. It disappeared from a cargo compound, to which only a limited number of staff have access at Heathrow, where it was awaiting transfer to a British Airways flight to Moscow. It was in one of four bags each containing \$2.5m in \$100 bills.

Republic Bank said: "We are not going to discuss this issue. It covers confidential dealings between clients." The money's destination remains unclear. Sources said a private Russian bank, Toko Bank, was the intended recipient, but the bank has denied this.

Rugby League tests international field

The influence of Murdoch TV can be detected in the clubs' new attitude

Year Two of Rugby League's Super League era opens tonight at Odsal Stadium, Bradford, in northern England, where Bradford Bulls play Warrington Wolves. The locations are familiar though the new names are more glamorous than the city and town after which the teams are called.

In another enhancement of the game's image, the Friday night kick-off reflects the demands of television and the game's £87m (\$138m), five-year contract with British Sky Broadcasting, the satellite broadcaster controlled by Mr Rupert Murdoch.

This is also the second year of the shift from a winter to a summer season by the professional game, traditionally based in the north of the country. The other version of the game, Rugby Union, is played all over the UK, largely in an amateur setting.

The Rugby League fixture list includes familiar rivals such as St Helens, Wigan, Leeds and Castleford. But this year's novelties go well beyond the introduction last season's of Paris Saint-Germain and the elevation in 1995 – on grounds of commerce rather than merit – of London Broncos.

On consecutive weekends, starting on June 7, Bradford, Warrington and St Helens will entertain Auckland Warriors, Penrith Panthers and Cronulla Sharks of the Australian Super League. The English clubs will visit Australia in July for the return fixtures.

These matches, which form part of a new World Club Championship incorporating all 12 Super League clubs and their 10 Australian counterparts, reflect the most important action of the close season – the courtroom battle over the future of the game in Australia.

The entire Super League enterprise, designed to take the game to a new public, is underpinned by the idea of internationalising a sometimes parochial club scene and introducing regular competition against the Australians – games to be funded and televised by Mr Murdoch's News Corporation.

Matches against Australian clubs were made possible by the News Corporation-funded Australian Super League winning a legal battle for the right to operate alongside the existing Australian Rugby League, the country's traditional governing body.

Although its monopoly has now been broken, the ARL had already achieved the British league's ambitions – extending the game's social and geographical boundaries, putting its finances on a business footing and prodncing dominant Test teams.

The World Club Championship is vital to the British game's chances of following suit. The hope is that British fans, attracted by the novelty, will flock to the matches and that their teams will match the Australian giants.

Mild caution about these issues is indnced by the reflection that even the great Australian Test teams have been unable to accomplish a feat rontinely attained by the Challenge Cup finalists: filling Wembley Stadium, in London. There are mixed indications as to the financial health of the British game. The Rugby League hopes Mr Richard Branson's decision to buy into London Broncos and electronics tycoon Mr Paul Thompson's purchase of Sheffield Eagles – which may soon be launched on the Alternative Investment Market – presage a shift from the game's traditional cottage-scale capitalism to something more ambitious and sophisticated.

The Super League clubs can look forward to about £1m each this year from the second tranche of BSkyB funding. Yet all-conquering Wigan, and the First Division duo of Keighley and Hull Kingston Rovers, have run into serious financial trouble. Expansion plans were hit when Super League teams vetoed one club from sonth Wales which would have meant dividing the BSkyB money by 13 rather than 12.

No points for far-sightedness there. But there has been some long-term thinking at Bradford. As well as building an excellent team, the BSkyB money has also been spent on imaginative marketing.

Huw Richards

Empics

Salford celebrate winning a divisional trophy last season and a place in the Super League

Pensions watchdog may have to quit

By James Blitz and Christopher Brown-Humes

Mr Joe Palmer, chairman of the Personal Investment Authority, will almost certainly be forced to quit his post if the Labour party wins the general election expected in May.

The party is indicating that his position is no longer sustainable amid indications that the authority has failed to clear up more than a handful of pensions mis-selling cases.

In recent years, Labour MPs have called for Mr Palmer's resignation, arguing that his role is incompatible with his previous position as chief executive of the insurance company Legal and General.

The company was among those which had been responsible for pensions mis-selling in the late 1980s and early 1990s. Mr Palmer has insisted that he had no direct involvement in the scandal, in which people were wrongly advised to leave occupational schemes for a personal pension.

MPs from all parties have asked the PIA to explain why fewer than 7,000 people out of 478,000 cases have received compensation.

UK NEWS DIGEST

Ruling on Irish prisoner's baby

Miss Roisin McAliskey will be allowed to keep her baby with her in a London prison when it is born, the Prison Service announced yesterday. Germany has applied for her extradition from the UK in connection with a mortar bomb attack by the Irish Republican Army on a British Army base in Germany last summer.

Miss McAliskey, aged 25, is seven months pregnant. She is the daughter of the civil rights activist and former nationalist Northern Ireland MP Bernadette McAliskey. She has become the focus of a campaign for her freedom by activists who claim she should be allowed bail because of her condition.

Her lawyers are due to make a fresh bail application on her behalf at the High Court in London today.

■ WORKING TIME DIRECTIVE

EU rules 'will have little impact'

The Chemical Industries Association, which was among the strongest opponents of the European Union's working time directive, said yesterday that the regulations would have little impact on most companies.

The association said the directive, which covers working hours and holiday entitlements, was open to "many opportunities for flexible interpretation". It said that "full advantage" ought be taken of this as it was incorporated into British law. The association, which represents chemical companies in the UK, said that the "vast majority" of its member companies will "be able to meet the requirements of the directive within their existing contractual working time arrangements (perhaps with slight modifications)".

Robert Taylor, London

■ BOOK PUBLISHING

Price-fixing pact is outlawed

The Net Book Agreement, which until recently enabled publishers to fix minimum prices, was finally declared illegal yesterday. The Restrictive Practices Court ruled that the NBA's prevention of discounting was against the public interest and that its abolition would not lead to the book-reading public suffering.

The ruling marks the end for the NBA, which collapsed in practice in September 1995 when the Publishers' Association decided it could no longer be enforced. Several publishers and the W.H. Smith retail chain had withdrawn support for the NBA and were swiftly followed by others afraid of losing market share. The court case was brought by Mr John Bridgeman, director general of the Office of Fair Trading, to ensure that the agreement could not be resurrected.

John Mason, London

■ BRITISH AIRWAYS

Boost for London's second airport

By next month British Airways will be flying to more destinations from London Gatwick than from the much larger Heathrow airport, which is heavily congested, Mr Robert Ayling, chief executive of the airline, said yesterday. BA will today announce the creation of 700 jobs at Gatwick. The airline will move its Latin American services to Gatwick from Heathrow on Monday. It has already moved its east African and central African services there.

Michael Skapinker, London

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE FOR TRADE AND INDUSTRY UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant licences under the Telecommunications Act 1984 ("the Act") to Worldexchange Communications Limited, Cherry Communications Inc and First Telecom plc ("the Licensees") to run international telecommunications systems in the United Kingdom. The licences will be for a period of six months, thereafter being subject to revocation on one month's notice.
2. The principal effect of each licence will be to enable each Licensee to install and run telecommunication systems in the United Kingdom which may be connected to telecommunications systems outside the United Kingdom and to provide a wide range of international services but not any domestic services (i.e. services involving the conveyance of messages which originate and are subsequently to terminate in the United Kingdom) or mobile radio services. Each Licence authorises the connection to a wide range of other systems, including domestic systems and earth orbiting apparatus.
3. Each Licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under each licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensees' systems as a public telecommunication system.
4. The Secretary of State proposes to grant each licence in response to an application from each licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
5. Representations or objections may be made in respect of each of the proposed licences. They should be made in writing by 14th April 1997 and addressed to the undersigned at the Department of Trade and Industry, Communications and Information Industries Directorate, 2.57 Grey, 151 Buckingham Palace Road, London SW1W 9SS. Copies of the proposed licence can be obtained free of charge by writing to the Department (fax: 0171 215 1721) or by calling 0171 215 1756.

Alan D Proud
Department of Trade and Industry 14 March 1997

LEGAL NOTICES

In the High Court 1997 No 46 COS Ct 6

In the Matter of
NOBEL RESOURCES PLC
(formerly Kish Resources PLC)
and
In the Matter of
THE COMPANIES ACT 1963-1990

NOTICE IS HEREBY GIVEN that a Petition presented to the High Court on the 4 March 1997 for an Order confirming the reduction of the capital of the Company by the cancellation of the issued Deferred shares (numbering 16,520,232) and by the cancellation of the remaining unissued Deferred Shares (numbering 43,479,768) and by the corresponding reduction in the amount of IR£3,964,856 standing to the debit of the Profit and Loss Account of the Company is directed to be heard before the High Court on the 7 day of April 1997 at 11.00am in the forenoon at the Four Courts, Inns Quay, Dublin 7.

Dated 13 March 1997

Signed: William Fry,
Solicitors,
Fitzwilton House,
Wilton Place, Dublin 2

SHIELD MOTOR GROUP LIMITED

REGISTERED NUMBER: 1289207

Nature of business: Motor Dealership
Trade classification: 5010
Date of appointment of Joint Administrative Receivers: 6 March 1997
Name of appointor: Lloyds Bank plc
NIGEL RUDDOCK and VIVIAN MURRAY BAIRSTOW
Joint Administrative Receivers
(office holder nos 6877 and 5318) of
Robson Rhodes, 186 City Road, London EC1V 2NU

IN THE MATTER OF
MAYFLOWER GROUP PLC
AND
THE INSOLVENCY ACT
AND RULES 1986

In accordance with rule 4.182A of the Insolvency Rules 1986 I, David Lowe, Liquidator of Mayflower Group Plc (the Company) give notice that I intend to pay a first and final distribution to the creditors of the company at the rate of 100 pence in the £ within 4 months of the last date for proving.

Any party claiming to be a creditor of the company must contact me with full details of their claim in writing at Century House, 11 St Peter's Square, Manchester M2 3DN before the last date for proving which is 3 April 1997.

Failure to comply will result in your being excluded from the distribution.

D Lowe
Liquidator
Dated 4 March 1997

CONTRACTS & TENDERS

INVITATION FOR BIDS (IFB)

Date of Issuance of Invitation: 14.3.1997
Loan No: 3597
IFB No: 2762/VB/96

1. The Government of the Republic of Hungary has received a loan from the World Bank in various currencies towards the cost of Health Services and Management Project and it is intended that a part of the proceeds of this loan will be applied to eligible payments under the contract for Procurement of 4 (four) pcs modern mammographic system.
2. The NOVO-TRADING Commercial Ltd. acting on behalf of the Ministry of Welfare now invites sealed bids from eligible Bidders for the supply of modern mammographic systems and perform the related incidental services.
3. Interested eligible Bidders may obtain further information from and inspect the Bidding Documents at the office of:

   NOVO-TRADING Commercial Ltd.
   H-1158 Budapest, Késmárk u. 100-102
   Phone: (36-1)-410-4193
   Fax: (36-1)-410-4190/410-4192
4. A complete set of Bidding Documents may be purchased by an interested eligible Bidder on the submission of a written application to the above and upon payment of a non-refundable fee of USD 120,-. (one hundred and twenty USD only) Bidders resident in Hungary may purchase the above documents upon payment of HUF 17.000,- + VAT. (seventeen-thousand HUF + VAT).
5. All bids must be accompanied by a security of USD 40,000,- and must be delivered to the above office on or before 10 Hours am on the 15th May 1997.
6. Bids will be opened in the presence of Bidders' representatives who choose to attend at 11 Hours am on the 15th May 1997 at the Conference Room of

   NOVO-TRADING
   Commercial Ltd.
   H1158 Budapest
   Késmárk u. 100-102

INVITATION TO BID

1. Sealed bids are invited from suitable suppliers by TCDD (General Directorate of Turkish State Railways) for the equipment specified below for the container terminals at Haydarpasa, Izmir and Mersin. The project is to be partially financed by the EIB.
2. Detailed information and the bidding documents can be obtained on application personally from "TCDD Private Commission of Ports, Supply Department Gar/ANKARA, Telefax: 90312 312 32 15, Telex: 44309 TR" or from the "Central Cashier's Office of TCDD General Directorate Gar/ANKARA" starting from 20 March 1977 against payment of 500,-US\$, or its equivalent in Turkish Lira.
3. 1 piece of Gantry crane and 26 pieces of rubber tyred yard gantry cranes out of total 9 items of equipment which are indicated below shall be supplied as 100% credit; the other 7 items of equipment shall be supplied by the credit of European Investment Bank.
4. The bids will be evaluated in conformity with the bidding documents and conditions, and the selection criteria will be according to the price submitted (50% weighting) and also the technical aspects to be detailed in the tender documents.
5. A bid of 3% of the offer shall be submitted with the bids together with the receipt for the purchase of the specification and tender documents.
6. Offers for the supply of the following equipment shall be handed in to the Private Commission of Ports at Supply Department, TCDD Gar/ANKARA until following dates and hours:

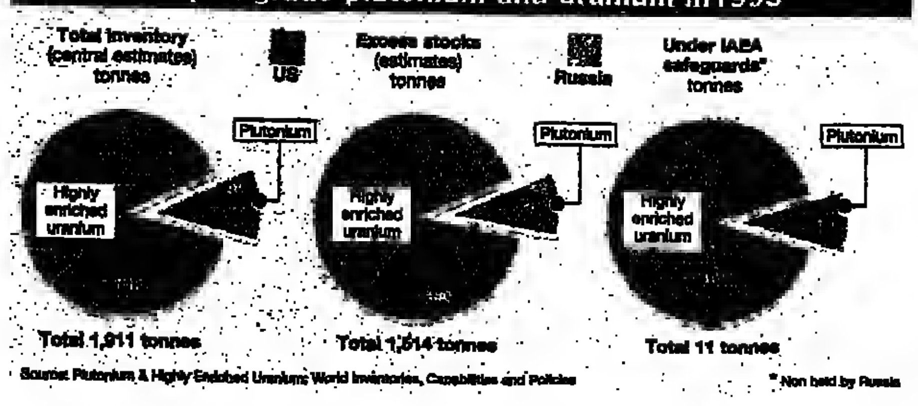
1 Gantry Crane	on 9 June 1997 at 14.00 hours
26 Rubber tyred yard Gantry Cranes	on 10 June 1997 at 14.00 hours
86 Trailers	on 13 May 1997 at 9.30 hours
32 FLTs, Diesel Small Mast	on 9 May 1997 at 9.30 hours
32FLTs, Electric Small Mast	on 9 May 1997 at 14.00 hours
24 Spreaders for Gantry Cranes and Transtainers	on 12 May 1997 at 9.30 hours
43 Tugmasters	on 13 May 1997 at 14.00 hours
35 Reach Stackers	on 14 May 1997 at 9.30 hours
37 FLTs for Empty Containers	on 15 May 1997 at 9.30 hours

7. Sealed bids shall be opened in the presence of the bidders on the dates and hours specified above.
8. TCDD reserves the right as to whether to award any contract.

Fears on nuclear bomb materials

By Bernard Gray, Defence Correspondent

Excess weapon-grade plutonium and uranium in1995



Source: Plutonium & Highly Enriched Uranium: World Inventories, Capabilities and Policies

More than 2,000 tonnes of wespons-grade plutonium and uranium are now in military stockpiles around the world, often with inadequate national controls and very little international oversight, according to the authors of a book* published yesterday.

Most of this weapons-grade material is surplus to military requirements and largely useless for other applications. However, new reprocessing plants in France and the UK are dramatically increasing the supply of plntonium which could be used for nuclear weapons.

The anthors, all senior nuclear scientists, say that the nuclear materials stockpiles in Russia are of particular concern because weapons material accountancy is in a very poor state. As only e few kilogrammes of plutonium are needed to make a weapon, the authors identify the threat of theft of nuclear material by countries or terrorist groups as the main risk of nuclear proliferation.

States wishing to acquire nuclear weapons have found it relatively easy to obtain tha knowledge needed, say the authors, but have been hampered by a lack of useable uranium or plutonium.

Iraq had well understood the technical challenges of developing nuclear weapons, but was thwarted by a lack of sufficient plutonium or uranium, says the book. Iraq was attempting to divert civil enriched uranium to its crash bomb programme when ite sites were destroyed by allied air attacks in the Gulf war.

The risk that other countries or terrorist groups could succeed where Iraq failed is the euthors' primary concern.

They highlight the efforts being made by Iran to acquire information an nuclear weapons and the risk that nuclear materials could leak there from Russia. The fate of plutonium from North Korea's long-running nuclear programme is also unknown, even to western intelligence agencies, according to the authors.

"The control of this fissile material is at the beart of nuclear arms control," said Mr David Albright, one of the authors yesterday. "Yet it is not on the egenda of either President Clinton or President Yeltsin and it is not due to be discussed at their Helsinki summit next week."

The autbors urge action on four fronts simultaneously to limit the spread of nuclear material. Action to unblock negotiations on a treaty to ban further production of uranium or plutonium is needed, with a parallel negotiation to introduce safeguards for stocks already in the inventories of nuclear weapons states.

A new treaty should be negotlated to control "excess" stocks of weapons materials, which are not needed for bombs, and which are held in frequently insecure storage.

Programmes to accelerate the blending of highly enriched uranium with natural uranium so that it can be burned in civilian reactors and would be of no further military use.

**Plutonium and Highly Enriched Uranium 1996: World Inventories, Capabilities and Policies. Albright, Berkhout and Walker. Sipri, Oxford University Press.*

Setback for Uganda debt relief hopes

By Michael Holman, Africa Editor

Uganda's bopes for early debt relief were struck e blow yesterday when it was confirmed that the country would not benefit from the new World Bank-International Monetary Fund initiative for at least a year.

The boards of the Bank and the Fund egreed this week that Uganda would be the first beneficiary of the plan, designed to ease tha debt burden of the world's poorest countries.

But World Bank officials made clear at a briefing for journalists that the plan would not be put into effect before April next year at the earliest, and passibly nat until November.

The US and Japan were among the board members resisting calls far earlier implementation, despite the government'a offer to open the books to creditors and donors and allow monitoring of the budget process and spending.

The decision puts at risk Uganda's plans to extend primary education this year, although World Bank officials said yesterday tbat interim funding might be made available.

Earlier this week, the Uganda government took the unusual step of making public what it called its "increasing frustration" over delays in implementing the plan to provide debt relief for highly indebted poor countries.

"Under the initiative, sucb relief is supposed to be given after a six-year record of adjustment has been establisbed," Mr J.S. Mayanja-Nkangi wrote in a letter to the Financial Times.

"At the time of the IMF/World Bank annual meetings last October, there was a widespread view that as Uganda already had an eight year record, debt relief should be given as early as possible, with the options of apring or summer 1997 explicitly discussed," the minister continued.

Yesterday an adviser to tha government said that the estimated loss from tbe delay wes between $35m and $40m.

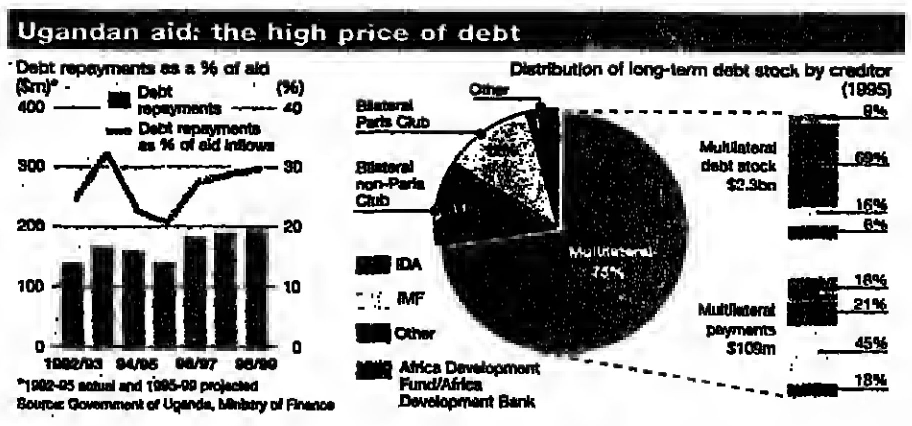
The government bad pledged tbat this money would be spent on expanding free primary scbool places, ot e total cost of $67m in the first year.

More than 4.5m cbildreo had registered for primary school places this year in a system that can currently cater for 2.5m. Unless new sources af assistance are made available, more tbao 1m children will not get pleccs, accarding ta aid workers.

Oxfam, the British aid agency which has been labbying for debt relief, yesterday candemned the delay: "It reflects a lack af resolve and political will an the part af the creditar community to resolve the debt crisis of the poorest countries," a spokesman said.

"It corries an enormaus cost which can be measured both in financial terms and in lost opportunities far primary education and basic health."

Ugandan aid: the high price of debt



*1992-95 actual and 1995-99 projected
Source: Government of Uganda, Ministry of Finance

Local election test for Nigerian regime

By Antony Goldman in Lagos

Nigerians go to the polls tomorrow in the first test of the military government's declared intention to return the country to civilian rule by October next year.

The local multiparty elections take place against a background of renewed focus on the administration's human rights record, following the charging with treason this week of 15 opposition activists, including Mr Wole Soyinka, the Nobel prize winner.

None of the five political parties registered by the authorities has commented on the issue. Indeed, matters of policy or party rivalry have been largely absent from a campaign dominated by internal aquabbles over who should hold which party office and whether or not the government should fund overseas trips for their leaders.

"These parties," said Mr Bola Ige of the radical opposition National Democratic Coalition (Nadeco), "are no more than the five fingers of the same hand."

General Sani Abacha, who seized power after the military annulled the last effort at elections nearly four years ago, has promiaed Nigerians a new era of truly representative democracy, free from the corruption and inflnence-peddling which has plagued civilian politics since independence in 1960.

However, preparations for the polls have been marred by familiar controversy. During last month's registration process, there were eeveral reports of irregularities, violence, intimidation and fraud.

The National Electoral Commiasion yesterday scaled back its initial estimate of more than 60m registered voters to about 55m, still substantially higher than the 38m eligible to take part in the last elections in 1993. The commission insists this reflects a genuine enthusiasm for the transition programme.

Diplomats and opposition groups, however, fear that politicians have acquired so many voters' cards that the foundations for an open contest have been fatally undermined. A 38-mamber observer team from the US is in Nigeria to monitor the process.

A delegation from the Organisation of African Unity'a human rights commission has also spent the past week meeting government officials and others.

The authorities say their commitment to a political transition reflects their respect for human rights, aaying that criticism from the west has been politically motiveted. Opposition leaders have specifically linked this week's treason charges against Nadeco officials to the current aession of the United Nations Human Rights Commiesion in Geneva.

"Most of these people had been held for weeks without charge under apecial decrees," said Mr Abraham Adesanya, the Nedeco vice-chairman. "Now they are charged and facing a judicial process. But we know there is no substance to this case."

Diamonds are a rebel's best friend

A battle to gain control over Zaire's riches is imminent as the liberation movement seeks a ready source of cash to pay its fighters

For Hussein, a Lebanese diamond buyer in Mbuji-Mayi, Zaire, these are tense times.

He is gradually emptying the safe at his diamond counter on the Avenue Inga. He no longer stockpiles stones, sending them instead immediately to Kinshasa. Soon he plans to air-freight his four-wheel-drive vehicle to the capital. If things get too hot, he will board a flight himself.

Like all the owners of the 60-odd diamond counters, the garishly-painted walls of which beckon diggers off the rutted streets, he expects to be raided by soldiers at any moment. "In 1991 and 1993 we were spared the looting that hit other Zairean cities. This time I think we won't be so lucky," he predicts.

This central Zairean city is bracing for the arrival of the Alliance of Democratic Forces, whose swift advance across the east of the country has left a bewildered international community contemplating the fragmentation of one of Africa's largest nations.

A fortnight ago, the rebels captured Kindu 400km to the east. Although the roads from the town are in an appalling state, they are unlikely to trouble a group adept at penetrating east Kivu's forests.

Drawing the rebels like a magnet are the brown, green, yellow and – on a good day – white crystals found in the gravel banks of the Kanshi River.

Easily mined and easily sold, diamonds are the perfect resource for a movement that must pay the new fighters it is recruiting if it is to remain a cut above Zaire's inept central government. "The rebels must come here, because this is where Zaire's riches are," predicts a local trader.

Ironically, it is not the rebels themselves – regarded as liberators by many of Mbuji-Mayi's 1.3m inhabitants – who are feared. "From what we hear, all the trouble comes from retreating Zairean soldiers, not the rebels. The moment of transition is the most dangerous," says Hussein.

Soldiers have already surfaced in east Kasai, stealing cars and beating up diamond prospectors. Few now venture far outside Mbuji-Mayi for fear of being caught in a shoot-out between the Kindu forces and reinforcements from the capital. Kinshasa, anticipating the imminent capture of the key town of Kisangani, wants to turn Mbuji-Mayi into the new headquarters for its collapsing campaign.

Residents are none too pleased at the new arrivals. The juxtaposition of large numbers of armed men, diamonds and dollars makes them nervous.

Everyone is now trying to buy loyalty. The state diamond company, Société Minière de Bakgwwanga (Miba), has doubled the wages of the 200–300 soldiers guarding the "Polygon" – its 50 squ km site on the edge of town – and diamond buyers are supplying local troops with food. But most businessmen believe the incentives cannot prevent a free-for-all when retreating troops start sacking the town.

> Juxtaposition of large numbers of armed men, diamonds and dollars makes residents nervous

"Everyone just wishes we could be left alone," says a digger. "This place has always been about making money, not politics, and that's what we want to keep doing."

The desire to be left to its own devices is not new. Founded by Kasaians fleeing violence in Shaba in the 1950s, Mbuji-Mayi is dominated by the Luba, an economically successful tribe traditionally regarded with suspicion by other Zairean communities.

The veteran opposition leader, Mr Etienne Tshisekedi, comes from near here. Both Kasai provinces paid a high price for his political ambitions in 1993 when the governor of neighbouring Shaba, a staunch ally of President Mobutu Sese Seko, expelled hundreds of thousands of Kasaians. Knowing he is unwelcome, the president has nat visited for nearly 10 years.

1993 was also the year the two Kasai provinces rejected the new zaire note issued by Kinshasa, on the grounds the central bank's failure to send down enough of the new issue would bankrupt deposit holders. Four years after the "ancien zaire" was demonetised, Kasaians still use the old, increasingly filthy notes.

Even Miba – once one of the pillars of Zaire's declining economy – is starting to show a strong rebellions streak. The chief administrator's statement this week that he would work under Mr Laurent Kabila, the rebel leader, if Mbuji-Mayi were occupied, was a slap in the face for Kinshasa.

An act of self-preservation for a man who recognises the inavitable, it also reflected years of irritation at a crippling tax burden that has prevented Miba from turning a profit for a decade.

Employees complain at the way the central government has squeezed Miba for funds while neglecting the town, forcing the company to assume responsibility for electricity and water supplies, hospitals, housing and education.

For years, the general understanding in Zaire has been that the two Kasais would be allowed to retain their semi-autonomous state, as long as it stopped short of the outright antonomy demanded by copper-rich Shaba, in exchange for keeping Mr Mobutu supplied with diamonds.

As the rebels encroach, the question is how long a local population with e profound feeling of separateness, a knack for making money, and a deep distaste for central authority will welcome their new masters.

"People want to be liberated from Mobutu and they will welcome anyone who does that," says Mr Gaston Muyombo, a local priest.

"But it may well be that they will then want to be liberated from the liberators."

Michela Wrong

Purchase by US company's offshoot completes privatisation of national network's freight businesses

Wisconsin Central wins rail route to France

By Charles Batchelor, Transport Correspondent

English Welsh & Scottish Railway, an offshoot of Wisconsin Central Transportation, was confirmed yesterday as the purchaser of Railfreight Distribution (RfD), the long-distance Channel tunnel freight service between England and France. The deal completes the privatisation of British Rail's freight businesses.

EWS has exchanged contracts with BR to take over a business running 150 trains a week through the tunnel and employing 1,200 people. Most of the trains carry containers but there is also a growing business of moving cars and car components and conventional wagon freight.

EWS was listed as preferred bidder for RfD just before Christmas, and the deal gives it a virtual monopoly of BR's freight businesses. It previously acquired the bulk freight activities and BR's mail-by-rail distribution business for the Royal Mail division of the Post Office.

Prospects for expanding Channel tunnel operations are good, but RfD made a loss of £58m ($92.22m) on turnover of £70m in 1995-96. BR wrote off £300m of RfD investments in locomotives, wagons and freight terminals last year and made a £200m provision to cover 10 years' worth of minimum usage payments to Eurotunnel for use of "slots" in the Channel tunnel timetable. Eurotunnel is the company which operates the tunnel.

EWS has begun expanding UK freight activities including its single wagon load and part-train Enterprise service. New services linking with ports on the south and east coasts have recently been added.

The Rail Freight Group, representing freight operators, called on the French and British governments, Eurotunnel and EWS to cut freight rates through the tunnel to encourage new business. At present rates, through train services are uncompetitive with those offered by Eurotunnel's freight shuttle services and the ferries, said Lord Berkeley, chairman of the group.

The £200m provision to meet minimum usage charges represented a "gift" which should be passed on to freight customers in the form of lower charges, he added. Charges should be levied by unit – container or conventional wagon – rather than by weight and charges for shorter journeys should be lowered.

● English Walsh & Scottish Railway was yesterday fined £6,000 ($9,540) plus £518 costs after an accident at its Tyne Yard depot in north-east England in which an employee lost three fingers.

The case was the first Health and Safety Executive prosecution against a privatised train operating company.

'No cowboy atmosphere here' says bank

NatWest executive discusses background to options debacle

The damage to the standing of NatWest Markets, the investment banking arm of National Westminster Bank, caused by its long failure to recognise serious mis-pricing in its options book, is considerable. The debacle has raised questions about its strategy and its quality of management.

The fact that Mr Martin Owen has sacrificed £200,000 of his annual bonus for 1996 indicates how heavily the blow has fallen. Mr Owen has been chief executive of NatWest Markets since it was formed from NatWest's former merchant bank, County NatWest, and its corporate banking division four years ago.

NatWest has won at least some praise by acting with greater clarity and ruthlessness after the discovery than other banks caught by such incidents. It has demonstrated the risks that accompany large rewards paid to managers and traders when their apparent profits turn out to be phantom.

It also claims to have been more open in announcing just how badly it went wrong. "We have discovered the sort of problem that may have occurred in many other places, but has not been disclosed. We have been extremely open about it," says Mr Derek Wanless, NatWest's chief executive.

For all this, NatWest does not disguise the seriousness of what has occurred. "This is a rocket which has damaged us, and we are fighting the fire, but it holed us above the water line and not below," says Mr Owen. That damage goes far beyond the £77m loss that it must take.

Potentially, the most worrying aspect of the affair is how long Mr Kyriacos Papouis, its former interest rate options trader, is elleged to have concealed losses. NatWest says the mis-pricing started in late 1994, meaning Mr Papouis managed to mislead managers for about two years.

This period started just before the collapse of Barings in February 1995, which led NatWest and other banks to review risk controls. The review failed to pick up any problems in the interest rate derivatives arm.

A second cause for concern at NatWest is that Mr Papouis did not conceal any trades from his managers. While he may have shifted positions among trading books, all of his swaps and options trades were not only open for inspection, but were in practice checked by risk managers.

None of this reflects well on suspended managers, although NatWest says suspension does not imply guilt. "We have to have total confidence in all of our senior executives, because we given them major discretionary powers to commit capital, so this puts them in neutral for now," says Mr Owen.

He rejects the idea that the losses stem from NatWest venturing into an exotic area of banking, pointing out that interest rate swaps are a standard part of any bank treasury operation. NatWest requires the capability for such routine things as selling fixed rate mortgages.

Also, he insists the failure was not due to NatWest having allowed the creation of a star culture: "There is no cowboy atmosphere here. There is a sense of bereavement in that area, because people feel that an individual who hid losses let the whole family down."

He says his own action in foregoing £200,000 of what would have been a £500,000 bonus for 1996 is meant to set the tone of its response. "I made my own gesture to say that I accept responsibility for everything that happens here," he says.

However, it may not be enough to reassure shareholders. Since NatWest insists that the computer models it uses to price options and swaps are not at fault, the problem seems to have lain in other managers' willingness to accept that Mr Papouis had fed the correct figures into them.

John Gapper

The four managers suspended by NatWest Markets in the wake of the discovery of hidden losses represent twin faces of the build-up of NatWest's investment banking operation in the past four years. Two of them, Mr Phil Wise, 48-year-old former head of debt capital markets (left), and Mr Ian Gaskell, the 34-year-old head of swaps and options trading in Europe (centre), have spent their whole careers there after joining as graduate trainees.

The other two, Mr Jean François Nguyen, the 37-year-old managing director of global derivatives (right), and Mr Christophe Lanson, the 30-year-old global head of interest rate risk management, both joined in September 1992. Mr Nguyen and Mr Lanson, who are both French, were working together at the specialist derivatives company Credit Suisse Financial Products. They joined NatWest to help build up its interest rate derivatives operations in London.

$3bn submarine order won by GEC shipyard

By Bernard Gray, Defence Correspondent

The UK Ministry of Defence is to order three Trafalgar class nuclear submarines worth £2bn ($3.2bn) from GEC-Marconi, the defence arm of the General Electric Company. The submarines will be built at VSEL in north-west England, which is owned by GEC, and will establish VSEL as Britain's principal warship yard.

Final contractual details were being hammered out last night between GEC and the ministry. However, these are regarded as technicalities by both sides, and the deal has been approved by a cabinet committee. Once these details have been resolved, the announcement will be made immediately, possibly as early as today.

The order is the second in a week for VSEL, which won a £200m UK defence ministry contract for two oil tankers for the Royal Navy. With other work, employment at the yard will remain at current levels for several years.

Overall, the Trafalgar programme will secure 7,000 jobs at companies such as Rolls-Royce at Derby, BAe-Sema and Thomson-Marconi Sonar. The ministry also has an option to order a further two Trafalgar vessels from ths company on similar terms.

But this will not come into effect until well after the year 2000 because the initial three Trafalgars are being built one at a time.

An announcement that the work will go to Barrow, in Cumbria, will be a relief to both VSEL's 4,500-strong workforce and to GEC, which acquired the yard in 1995 for £835m in a bitterly-fought takeover battle with British Aerospace – precisely to win the Trafalgar order.

At that time, GEC was in the unusual position of competing against VSEL for the work at the ministry's request, and GEC's original plan called for the submarines to be built on Tyneside. In December 1995, the ministry selected the GEC-Tyneside team to build the submarines, cutting out GEC-VSEL team even though GEC had just paid s substantial sum to acquire the Barrow yard.

GEC has had to negotiate with the ministry to steer the work back to the Barrow yard since then – against the opposition of some in the Royal Navy and the ministry's procurement arm, which disliked VSEL for the profits it had made on the Trident contract.

Dismissal test case moves to EU court

By Robert Taylor, Employment Editor

The main case testing the legality of the two-year qualifying period for UK employees who seek compensation for unfair dismissal was referred by the House of Lords to the European Court of Justice yesterday.

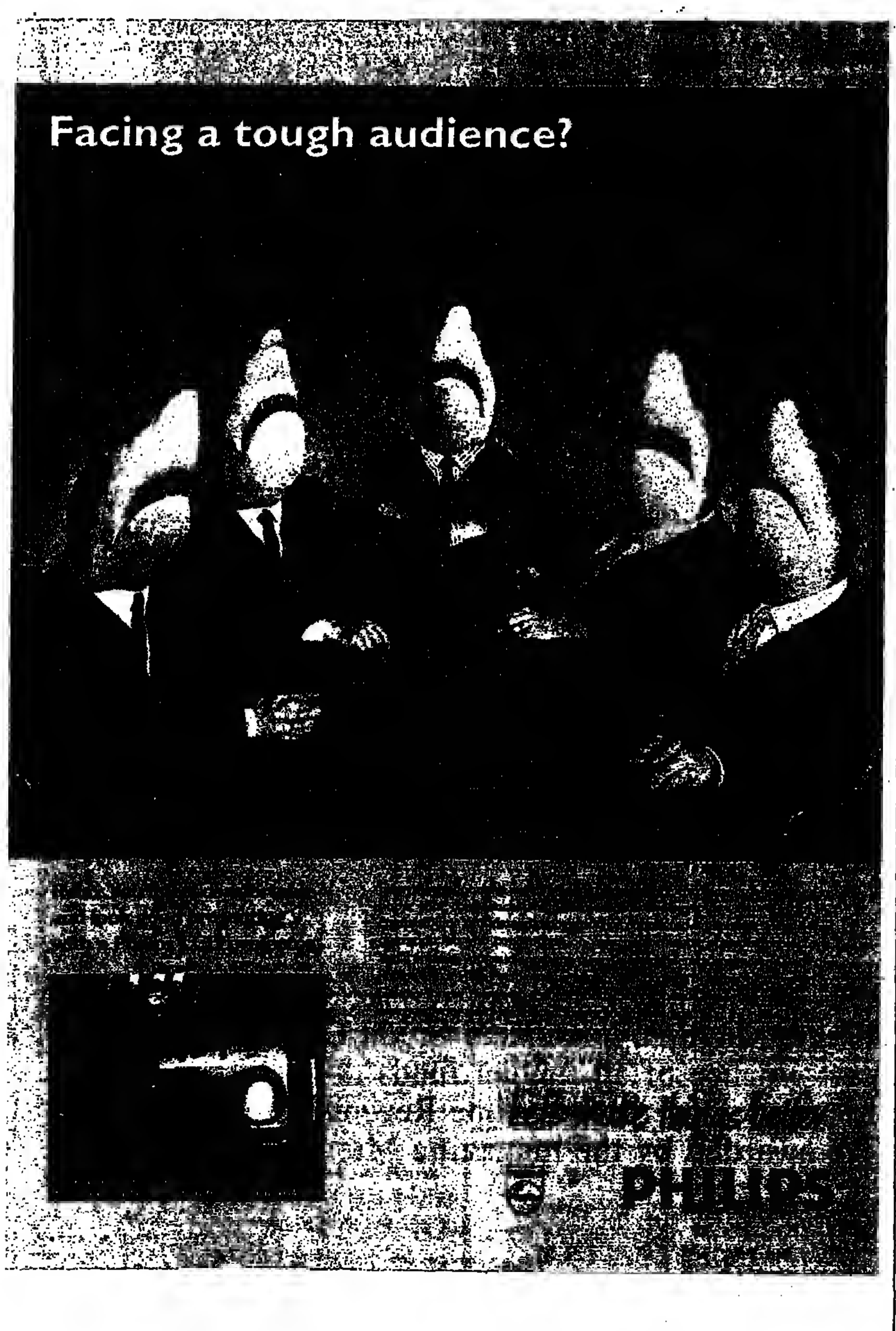
"We are disappointed there will now be a long delay before there is justice for the thousands of workers with similar unfair dismissal claims," said Mr John Monks, the Trades Union Congress general secretary. The case involves Ms Nicole Seymour-Smith.

The TUC would like the parliamentary order extending the qualifying period to two years to be revoked. It could be 1999 before the European Court makes its judgment.

"The two year qualifying period for unfair dismissal is in itself unfair," said Mr Monks. "Employment should not depend on length of service. Women in particular have been disadvantaged by the qualifying period with many, through no fault of their own, never being in one job long enough to acquire the right."

The Seymour-Smith case was originated by Camden Law Centre in London. Hundreds of similar claims have been submitted. The complaint was of indirect discrimination: that in 1991, when the original claim by Ms. Seymour-Smith was made, the proportion of women affected by the qualifying period was 7 per cent higher than that of men.

The Court of Appeal held the qualifying period discriminatory and said its ruling applied directly to all workers affected between 1985 and 1991. In 1985 the UK government extended the qualifying period of employment required to claim unfair dismissal compensation from one to two years.



THE PROPERTY MARKET

The strong Irish economy is boosting demand for commercial and residential developments in Dublin, says **Andrew Taylor**

Race for space

Buyers camped out for several days last month, queueing in driving wind and rain, to buy 90 homes at Knocklyon, six miles south-west of Dublin.

A marquee was erected to provide food, television and video entertainment for the buyers as they waited to purchase properties that had not even been built.

A shortage of residential property propelled house prices 18 per cent higher in the Irish capital last year – nine times the country's annual inflation rate.

According to the Irish Times newspaper, buyers bought homes worth I£10m ($15.5m) from just three developments on a single weekend in February.

Demand for commercial property has also risen sharply on the back of a strong economy, which has provided investment opportunities for individuals, property companies and institutions. More than half of new commercial property investment in Ireland last year was made by individuals, according to estate agents Lisney.

The Irish economy is one of the strongest in Europe. Gross domestic product is expected to rise by between 5 and 6 per cent this year, while annual inflation is forecast to remain as low as 2 per cent – an attractive mix for companies wishing to establish a business in the country.

Other factors that have encouraged inward investment are low interest rates – currently about 7 per cent for five-year money; availability of grants and tax concessions; and low employment costs.

Five of the world's 10 largest independent software companies have substantial operations in Ireland: Microsoft, the world's largest software company, which has its European operations headquarters in Dublin, IBM, Corel, Novell and Oracle. The country produces 40 per cent of all personal computer software and 60 per cent of all business software sold in Europe according to IDA, the Irish industrial development agency.

Foreign financial services companies also have been taking more space in the capital'e resurgent property market. Office rents in the International Financial Services Centre in the city's former docks have risen to I£27.50 a sq ft before fitting out. Occupiers in the centre include Sumitomo, Deutsche Morgan Grenfell, Barings, Citibank, Arthur Andersen and ABN Amro.

An added attraction of the centre is a 10 per cent corporation tax rate, due to run until 2005, for financial services companies.

The concessionary tax rate is also available to companies outside the centre if they are involved in the manufacture of goods in Ireland, grant-aided computer services, repair or remanufacturing of computer equipment, or ship and aircraft repair.

A strong plank in the country's economic growth has been the inflow of European Union structural funds, which have been used to improve the country's infrastructure. Construction output last year grew by 11 per cent and is expected to rise by a further 5-10 per cent this year.

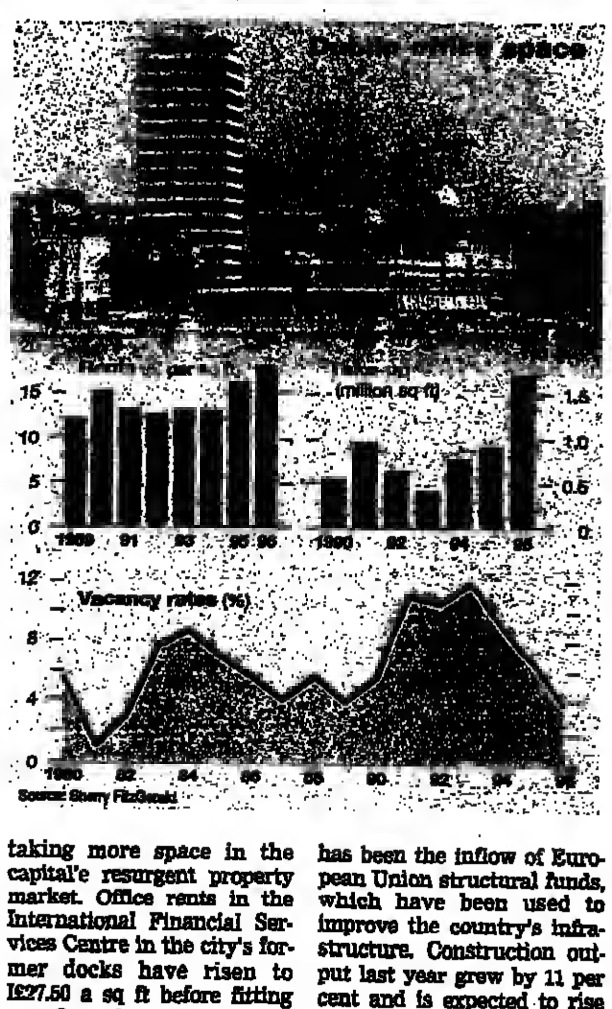
The inflow of EU funds, however, is due to be stemmed by 2000. Nevertheless, agents believe the economy will be strong enough to cope with this loss of income.

Demand for commercial property shows no sign of abating. Top office rents outside the International Financial Services Centre climbed last year to between I£16 and I£18 a sq ft and seem likely to break the I£20 barrier this year, according to agents Sherry FitzGerald.

Investment yields have shrunk to 6 per cent as office vacancy rates have fallen below 4 per cent. Tenant demand this year will outstrip the supply of new properties.

Last year about 1.7m sq ft of offices were taken up, leaving just over 500,000 sq ft available for occupation in December, says Sherry FitzGerald, which expects take-up this year to exceed 1m sq ft again.

It estimated that foreign companies were responsible for about 57 per cent of office take-up in Dublin last year, but said there was also rising domestic demand.



New developments remain relatively thin on the ground outside the International Financial Services Centre. Only two large speculative schemes are under way in the city centre: the 100,000 sq ft Ballsbridge Centre and a similar-sized development at Charlemont Exchange. Tenants have almost certainly already been earmarked for these projects.

Retail and industrial property markets are just ss strong, according to latest figures from Investment Property Databank. These show total returns from commercial property in Ireland were 18.9 per cent last year, with office property generating returns of 19.3 per cent, retail 18.2 per cent and industrial 20.6 per cent.

The strength of the Irish market was emphasised in the 1996 results for Green Property, the Dublin-based investment and development company, which increased its net asset value per share by more than 41 per cent to 274p.

The company, which recently completed the I£81m Blanchardstown retail centre, achieved a 19 per cent total return on its Irish portfolio after sales and acquisitions, compared with 12.5 per cent in the UK.

One cloud on the horizon might be a troubled run-up to European economic and monetary union. Although on present forecasts Ireland is set to meet the Maastricht treaty criteria, Irish interest rates could be pushed higher if continental rates are forced to rise as other economies struggle to meet the targets.

- In 1995, Crédit Lyonnais was awarded for its mutual fund management.

- In 1996, Crédit Lyonnais was awarded for its mutual fund management.

- In 1997, Crédit Lyonnais was awarded for its mutual fund management.

We will continue until there is no space left. La Tribune-Micropal nominated Crédit Lyonnais winner of the "Victoires des SICAV 96" prize for the best five-year performance of all mutual funds domiciled in France and other countries. This is in addition to the Golden Trophy awarded by the magazine Revenu Français in 1996 for best global performance, and the "Corbeille d'Or" prize awarded by the magazine Mieux Vivre in 1995.

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MANAGEMENT

Directed vision

The parent company must add value or have its function re-examined, says the head of advertising group WPP

Han Lee de Boer

Martin Sorrell: heading to collect shares on Monday worth £3m

The Management Interview

Martin Sorrell by Tony Jackson

Touch wood, things are looking good for Martin Sorrell. If WPP's share price is still over 230p by close of play next Monday, he collects a hatch of shares, worth something over £3m.

Life has not always been that easy for Sorrell. In the late 1980s WPP made itself the world's biggest advertising group through a series of hugely ambitious acquisitions. In 1990 it nearly went bust. As Sorrell now makes clear, this series of events has deeply affected the company's development in management terms.

WPP's most recent annual report begins with a discussion of how the parent company can justify its existence. Does it cover its overhead? Does it make life easier for tha operating companies? Does it add valne?

As I remark to Sorrell, it seems rather late in the day to be asking the question. Given recent emphasis on corporate focus and shareholder valne, most companias of WPP's aize and sophisticetion would have arrived at an answer several years ago.

Granted, he says. There are two reasons why WPP is still grappling with these issnes: the old-fashioned nature of the advertising industry, and the history of the company itself.

"We had five years of fast acquisition, then in 1990 we ran into a brick wall," he says. "We sorted that out financially by 1992, and since then we've been working on the value added year by year."

In the advertising industry, Sorrell calculates, the parent company typically costs between 1 per cent and 1.5 per cent of revenues. "In our case, that's £16m to £17m a year. We need to define clearly where ws as a centre add value to our clients or to the people in the company. If after four or five years we can't do that, we'll break the company up."

Beyond the parent's traditional role as an investment holding company, Sorrell has identified five areas in which he aims to add value: human resources, property, procurament, information technology and what ha calls practice development. The first four have been tackled one by one, a year at a time, since 1992.

Strategically, Sorrell says, this distingnishea WPP sharply from the approach of its two main competitors, the US agency groups Interpnblic and Omnicom. "Interpublic is very mnch a holding company – a bank – and Omnicom a little less so. Time will tell whether we're wrong."

The advertising industry, he argues, is highly conservative in terms of its structure and organisation. "Wa do things in much the same way as we did 50, 60 or even 70 years ago. The answers may not be wrong, but we haven't experimented to see whether they are or not."

His next goal for added valne – practice development – involves getting the varions parts of WPP to work together. The group comprises 40 companias worldwide, from the hig advertising agencies J Walter Thompson and Ogilvy & Mather to market research and pnblic relations. The aim is to achieve what Sorrell calls economies of co-ordination.

Again, it seems a little late to have hit on this. But WPP, he points out, was huilt through acquisitions, two thirds of them hostile.

Co-ordination, he says, comes in a number of areas. Take new geographical markets. "We have 450 people in China, in 11 offices. Wa find it very difficult to make money there, so any economies of co-ordination we can get are useful."

Or take privatisation. "That touches every country we work in. It also touches all our operations: advertising, research, corporate identity, design and PR."

Finally, take internal communication. "Every single one of our clients is going through major strategic and structural change. Explaining that to their people is very difficult. We have an internal alliance to develop communications – to explain change. It's a problem for us as well. Wa have 22,000 people in 250 different physical locations. How do you get 22,000 people to face in tha same direction at the same time?"

The biggest change in his industry in the past two or three years, he says, is the glohalisation of market research. "All our clients want common methodologies to evaluate changes in the market place. They want a common language to talk to one another."

So does WPP shift its own people around to reflect this global trend? "Not enough. We're still too vertically organised, both hy geography and function. We should be more horizontal. And our incentive structures are still geographically based. If you look at McKinsey, Goldman Sachs or Arthur Andersen, they're very good at encouraging a worldwide team approach. Wa're still too country based."

The mention of those three companies – two management consultancies and an investment bank – is not accidental. They represent for Sorrell an ideal of global professionalism which he seeks to emulate.

Hia own incentives are wholly global to character. Hia share compansation package caused a row two years ago, since some UK institutions initially saw it as excessive.

"My shara programme involved me investing £2m of my own money in the company," he says. "This is not an options programme – heads I win, tails you lose. It's me being entrepreneurial, and risking my own money." This is a touch disingenuous. Although he bought shares as part of the deal, the £3m worth due next week are free.

The topic is one of the few on which Sorrell betrays irritation. Another is the accusation that, as a former finance director of Saatchi & Saatchi, he is at heart a bean counter. "The cross I have to bear is that I have a business school degree, so I must he a finance man. I would like to think of myself as a businessman."

Nor is he happy about the suggestion that WPP's far-flung empire makes it a conglomerate. "I get very touchy about that," he says. "It's a focused advertising and marketing company."

John Kay

Lemon economics

Advertising tells you that the advertiser is committed to the product

When I learnt economics I was taught to take a dim view of advertising.

In Economics 1, I had apples and you had pears. You wanted some apples and I wanted some pears, and that provided scope for beneficial exchange. A competitive market enabled us to trade apples for pears.

So where did advertising come into this? It didn't. Shonting "eat apples" or "eat pears" created no more apples and pears, and indeed you had to feed apples and pears to the advertising agencies who did the shouting.

And proclaiming "eat Bloggs's apples" or "eat Smith's pears" would, if successful, simply create market power and destroy the efficiency of the competitive market.

> It seemed to appeal to irrational and less than admirable instincts

Advertising was divided into the informative – apples are round and red – and the persuasive – eat more apples. The informative might be tolerated in modest quantity. Tha persuasive served no beneficial economic purpose.

The standard text on the economics of advertising was a work by Lord Kaldor, economic guru of the last Lahour government but ooe. Kaldor regarded advertising as a sinful activity which should be heavily taxed – like smoking, drinking, gamhling, and employment in service industries.

And the advartising industry did not help itself much by the way it described itself: "Be handsome in Levis, seductive with Chanel, pull more hirds in a Peugeot."

It seemed to appeal to essentially irrational instincts and less than admirable ones. The industry employed economists of doubtful virtue to argue that advertising helped secure scale economies and promoted economic growth. But if I did not know I needed an underarm deodorant, how am I better off when yon both create and satisfy my unnecessary demand?

What yon learn in an economics course today would be very different. A new suhject has been created called the economics of information.

A seminal article by George Akerlof* described the market for lemons. Akerlof did not simply extend the apples and pears model to cover citrus fruit.

Akerlof's lemon was a car made on a Friday afternoon in which nothing ever quite worked properly. (This was before the days when cars were made in Japan and just as good on Friday as on any other day of the week.)

You as a seller knew whether your car was a lemon. The prospective purchaser did not. Akerlof's achievement was to show that the economist's assumptions about market efficiency ceased to be valid in the face of differences in information. Lemons illustrated the problem well.

Suppose 10 per cent of all cars were lemons. You might expect the price of a second hand car to reflect that frequency of lemons in the overall car population.

But if it did, then selling at that price would be attractive to the owners of lemons and unattractive to the owners of normal cars. So there would be a disproportionate number of lemons in the used car showrooms.

Realising this, buyers would reduce the price they were willing to pay. But the result is that only those with really dreadful cars, or who are desperate for money, will put their cars on the market.

The proportion of lemons will increase. The new price will not be low enough to reflect the ahysmal quality of the cars. In the end, there may be very little trade at very low prices. This market simply does not work.

One of the merits of Akerlof's analysis was that it met a test failed by too many economic models – consistency with common sense. After all, everyone knows that buying a used car is a depressing experience.

With the economics of information came a different view of the economic role of advertising. Modern economies include many activities, such as selling cars, where product quality and product attributes are complex and sellers know far more about what they sell than buyers do about what they buy.

Advertising is about managing that gap in information. And when you look more closely at advertising from that perspective, you see that the distinction between information and persuasion does not really stand up.

Much advertising – indeed all of the most conspicuous and costly advertising – is neither informative or persuasive.

If you look at early 20th century advertisements, you see that they were full of positive statements about products they promoted. Coke was refreshing, healthful, the preferred drink of ladies. Today, all we learn is that "Coke is It". Tobacco advertising shows that you can advertise extensively – and presumably successfully – when not allowed to make any claims for the product at all, other than that it is bad for you. So what was such advertising for?

It was Nelson** who noted that the only information such advertising conveyed was that the advertiser spent a lot of money on advertising.

But, he argued, this is useful information. It tells you that the advertiser is committed to the product and the market. If he were not, it would be absurd for him to spend so much.

And if he is oommitted to the product and the market, it also makes sense for him to devote resources to ensuring the quality of his product.

So consumers are right to believe that hranded products are of good quality, not because tbe manufacturer claims they are – mostly they do not – hut because there is little point in branding products that are not.

> The most conspicuous and costly is neither informative nor persuasive

And many of the products which are most beavily advertised are those for which Akerlof's information asymmetry is a problem – financial services, lavatory cleaners.

But not used cars. In that market people do not buy often enough for commitment to the market to be proved wortbwhile. The market for lemons is real.

**The Market for Lemons, Quarterly Journal of Economics, 1970.*

***Advertising as Information, Journal of Political Economy, 1974.*

John Kay is a director of London Economics and director of the School of Management Studies at Oxford University. This column appears fortnightly.

COMMERCIAL PROPERTY

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant a licence under the Telecommunications Act 1984 ("the Act") to ACC Long Distance UK Limited and one to Advanced Radio Telecom Limited ("the Licensees") to run telecommunication systems throughout the United Kingdom. Both licences will be for a period of 25 years subject to earlier revocation in specified circumstances.
2. The principal effect of these licences will be to enable the Licensees each to install and run telecommunication systems throughout the United Kingdom. Each Licensee will be able to provide a wide range of services but excluding mobile radio services and certain international services. Both Licences authorise connection to a wide range of other systems, including earth orbiting apparatus, allowing the provision of some types of international satellite service. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, each Licensee may be obliged to make available those telecommunications services to all who reasonably request them within that area.
3. Both licences will be subject to conditions such that section 8 of the Act will apply, thereby making each of the systems run under each licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensees' systems as a public telecommunication system.
4. The Secretary of State proposes to grant these licences in response to applications from the Licensees for such licences because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
5. He proposes to apply the telecommunications code ("the Code") to each Licensee subject to certain exceptions and conditions throughout the United Kingdom. The effect of the exceptions and conditions to the application of the Code is that the Licensees will each have duties:

   (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;

   (b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of their apparatus;

   (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

   (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in their respective licences to their powers under the Code; and

   (e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
6. The reason why the Secretary of State proposes to apply the Code to the Licensees is that the Licensees will each need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licences.
7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensees can meet (and relevant persons can enforce) liabilities arising from the execution of works.
8. Representations or objections may be made in respect of the proposed licences, the application of the Code to the Licensees and the proposed exceptions and conditions referred to above. They should be made in writing by 14 April 1997 and addressed to the undersigned at the Department of Trade and Industry, Communications and Information Industries Directorate, 2.67 Grey, 151 Buckingham Palace Road, London SW1W 9SS. Copies of the proposed licences can freely be obtained by writing to the Department or by calling 0171-215 1756.

Alan D Proud

Department of Trade and Industry 14 March 1997

COMMENT & ANALYSIS

Philip Stephens

Seeds of mistrust

A creature of wartime shortages, Britain's agriculture ministry has lost the confidence of consumers in an era of abundance

Sometimes there is nothing else to be done. Britain's ministry of agriculture, fisheries and food should be razed to the ground. The rubble, sealed in lead-lined vessels, should be buried in the deepest trench below the North Sea. Its senior officials should be conscripted to countryside chain-gangs, tasked with repairing the ravages of industrial farming. Then we can begin a serious discussion about food safety.

Douglas Hogg and his comedy of ministers at MAFF are a distraction. Of course, it may be that history records their complacent incompetence as the final indignity of John Major's administration. Mad cow disease, we know, was the catalyst for the disintegration of Mr Major's European policy. And this week's furore over filthy abattoirs does nothing to dispel the image of a government forever tossed in the thrall of events. Incompetence and cover-nps are lethal bedfellows.

The collapse of public confidence in food safety, however, has deeper roots than the bombastic bungling of Mr Hogg. It lies in the producer culture of MAFF, in Whitehall's ever-present obsession with secrecy and, above all, in a failure to understand how the world has changed since Britain ploughed its fields for victory. The weekly Hogg-roast in the House of Commons is great fun. It is not the answer.

Think about it. During the last few decades, there has been a revolution in the way Britain feeds itself. Scarcity has been replaced by abundance and, crucially, consumers have been robbed of the information required to make considered, rational choices.

MAFF is a creature of wartime food shortages, living still in the era of ration-books. It had a simple task, laid down in the 1947 Agriculture Act: to feed the nation. Its allies were the farmers. Consumers too would benefit, but only in the sense that higher production would fill the shelves of the nation's corner shops. Quantity not quality was what counted.

This obsession with food security was no passing, post-war fad. It lasted into the 1980s. Painful for her to recall now, it was central to Margaret Thatcher's impassioned support for membership of the European Community during the 1970s. Thus she spoke in the Commons on April 8 1975: "It is vital that we secure access to continuous and good sources of food supply. The great benefit [of the EC] is access and greater stability of supplies."

Since then, the cold stores of Europe (and Britain) have filled many times with rotting, surplus produce. But in MAFF, the shadow of the ration-card has never lifted. Producers come before consumers, market confidence before food safety. Sure, salmonella, listeria, BSE and E-coli are taken seriously enough – but only because they might damage market confidence. Public anxiety is the real enemy.

This culture infects the very fabric of MAFF as surely as the E-coli and other nasty organisms spread from unhygienic slaughterhouses. The same instinct leads a Tory government to defer to farmers in much the same way as socialist administrations used to cosset steelworkers.

The distance industrial farming puts between seller and buyer has deprived consumers of the knowledge that is necessary to calculate risk

We would have laughed with incredulity if any other private sector industry had received a state handout of £3bn to save itself from the consequences of its money-pinching mistakes. That precisely is what has happened over BSE.

MAFF cannot see the irony. Secrecy in the interests of the producers is a reflex. Thus this week, it responded to to the leak of damning evidence about conditions in the nation's abattoirs with the ludicrous suggestion that it would compile a league-table of hygiene standards in such institutions. The results, you guessed it, would be made available only within the industry.

We could go on forever in this vein. But it is worth addressing for a moment the counter-case. This holds that those of us who fuss about regulation of the food industry are creatures of the nanny state. Let the market settle it, the other side says, let the fresh drive out the rancid, the pasteurised the diseased.

For children of the Thatcherite 1980s, it is a beguiling argument. It is also one which displays a surprising lack of understanding of the market mechanism. Efficient markets depend on the free availability of information, shared between producers and consumers. Choice cannot be exercised from a state of ignorance. Yet that is the position of consumers when it comes to buying food.

It was not always thus. Before the advent of factory farming and supermarkets, the food chain was relatively short. Meat bought in the local shop came, more often than not, from the local farmer. Vegetables were free of the noxious pesticides which have since multiplied farmers' yields. Genetic manipulation was science fiction.

The distance which industrial farming puts between seller and buyer and the cosy collusion between MAFF and the producers have deprived consumers of the knowledge necessary to calculate risk. Nothing in life is risk-free. But we require information to be able to assess the level of hazard. Without it, it is small wonder that more than three-quarters of the population no longer trusts the government to tell the truth about food safety.

So what is to be done? On the decontaminated site of MAFF the next government should build an independent food standards agency. Tony Blair has already said he would. Save for his misplaced loyalty to his ministers, I suspect Mr Major could be persuaded in time to do the same.

This agency, free of any interference by ministers, would have a simple mandate. Its role would be to disseminate the information on all aspects of food safety now hoarded between producers, industry inspectors, MAFF and the department of health. Everything should be published.

It should also offer public guidance on changes to regulations and enforcement. Ministers could reject its advice. But when they put commercial interests before public health, they would be obliged to say so.

Only then could consumers make considered choices. Doubtless there would still be periodic bouts of public hysteria. That, I am afraid, is a price to be paid for democracy. But over time transparency would breed trust. And, yon never know, one day we might even forget MAFF ever existed.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fine"). e-mail: letters.editor@ft.com Published letters are also available on the FT web site. http://www.FT.com Translation may be available for letters written in the main international languages.

Labour plans imply increase in spending over government targets

From Mr William Waldegrave MP.

Sir, Your editorial ("Black holes in budgets", March 10) contained a number of assertions that are not sustained by the facts.

- Private Finance Initiative in the National Health Service. You assert: "Labour is probably more committed to getting round public finance constraints in this way." This is contrary to the fact that Mr Chris Smith, Labour's health spokesman, has opposed private ownership and private operation of NHS hospitals. Both of these things are necessary if the spending is not to be counted as public spending.
- Local authority capital receipts. You assert: "Councils would not necessarily use all £2.5bn of their new found freedom." You give no reason for this, but in any case the sums involved would inevitably be very large.
- School repairs. You assert Labour's plans "would count as public spending only if Labour would bring grant-maintained schools back into the public sector". This is simply incorrect. The extra £320m a year would be spending on existing local education authority schools. Labour has incorrectly assumed this money would count as private spending if it is borrowed from the banks. If Labour did abolish grant-maintained schools, this would mean an additional increase in public spending which we have not taken account of.
- Student loans. You assert our figure of £960m "probably exaggerates Labour's ambitions and underestimates the scope for treating this as private sector finance". Once again, you provide no evidence. The £950m is based solely on an extension of loans to cover the parental contribution and to cover part-time students in higher edncation.

This is a pledge that Mr Tony Blair repeated as recently as last December. His speech also made clear the loans would be recovered using National Insurance Contributions. The Office of National Statistics says that if student loan repayments were to be collected through NICs, they would classify any such loans as public expenditure.

- Labour's employment schemes. You claim Mr Gordon Brown's proposals are too vague to assess their likely outcome. This is incorrect. Labour's proposals for youth employment schemes and a £75 rebate for the long-term unemployed would clearly cost £500m and £280m respectively. Mr Brown has also pledged to abolish the 16-hour rule for young people, which would be extremely costly.

You are right to say that "Labour's plans do imply an increase in public spending over the government's targets", but your assertion that "this will mainly be financed by the windfall tax" is not possible to justify.

Finally, our spending plans involve increases in the control total over the next three years of just o little less than the increase over the past four. These are certainly achievable by a Conservative government. Tight control over public spending has enabled us to make significant reductions in borrowing. Public debt in Britain is already lower than most other European countries. A Conservative government would continue to ensure strong public finances.

William Waldegrave,
chief secretary to
the Treasury,
House of Commons,
London SW1A 0AA, UK

European Court of Justice ruling is unlikely to affect large outsourcing relationships

From Mr Robert Morgan.

Sir, The Luxembourg ruling in the Acquired Rights Directive case is a landmark judgment ("Contracting rule reversed by EU court," March 12), however it is not one which is likely to affect the large-scale and formal outsourcing relationships for IT/IS and business process services.

So long as the client of such services transfers tangible and/or intangible assets and the majority of the workforce within the function, then the transaction falls under the scope of the directive.

Only those service providers which take transfer of staff without an asset transfer and then perform a labour-only service, could find themselves with potentially significant redundancy costs should they lose the contract subsequently.

The whole Transfer of Undertakings (Protection of Employment) regulations question, however, is far from dead – with at least a dozen cases planned, the law is likely to evolve for some time to come. This ruling, however, should not affect decision-making on professional outsourced deals, particularly where professional advice is sought and obtained.

Robert Morgan,
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Argument is against pay subsidies

From Ms Holly Sutherland.

Sir, The point of my research has been missed in your report ("Opposition warned on wage plan", March 13).

This was to illuminate the way in which subsidising low pay with means-tested benefits creates a "poverty trap" in which nearly all of any increase in earnings is taken away in higher tax and in reduced benefit entitlements. Thus the beneficiaries of a minimum wage who also receive in-work benefits would see little short-term improvement in their living standards.

This is not an argument against the minimum wage. It is an argument against reliance on means-tested wage subsidies as a way of preventing poverty while working.

Indeed, if the coverage of these benefits is to be extended, as is being considered by the present government, it is vital that a minimum wage is in place. Otherwise we will see low incomes maintained, but with the part financed by employers falling and the part financed by "the taxpayer" rising. As low wages fall further and the social security bill rises, there is a distinct danger that the labour market will become permanently polarised.

The problem of in-work poverty cannot be solved by a minimum wage alone. However, my research shows that a minimum wage can make a crucial contribution to a long-term strategy which rednces the need for wage supplements and the costly traps that they create.

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Europa · **Franco Modigliani and Mario Baldassarri**

A euro minus the D-Mark

The EU should go ahead with the single currency even if Germany is unwilling to join

The news that Germany risks failing the exam for admission to economic and monetary union (Emu) has shaken Europe. For us, however, it has not been a surprise. On the contrary, it has confirmed our long-held suspicion that the Bundesbank, which does not wish to see the D-Mark replaced by the euro, would probably end up winning its battle against Chancellor Helmut Kohl to keep Germany out of Emu.

The motive for this battle is obvious. In the current European Monetary System (EMS) of fixed exchange rates and complete capital mobility, all countries must follow the same monetary policy. Since the 1980s, this policy has been dictated unilaterally by the Bundesbank – functioning, in effect, as the central bank of the EMS.

Unfortunately, the monetary policy adopted by the Bundesbank has been excessively restrictive – even for Germany. This is the primary cause of the unemployment that is shaking Europe and Germany. In short, the Bundesbank has been able to follow whatever course it wanted, without concern for the effect on other countries.

With Emu, the situation would be very different. Monetary policy would be conducted by a European central bank in which Germany would have an important – but not an absolute – voice. It is not surprising that the Bundesbank is battling to retain its hegemony.

The Bundesbank's position, however, is in conflict with that of Chancellor Helmut Kohl who realises the Maastricht treaty offers the chance to go down in history as the man who made European Union possible.

We have for some time believed the Bundesbank would win the battle, and that Germany would find some "technical excuse" not to enter the single currency at the last minute. It might say that the German deficit is 3.1 per cent of gross domestic product instead of the required 3.0 per cent. Alternatively, it might claim the high level of unemployment is unexpectedly swelling the budget deficit, even though the Bundesbank could quickly reduce the jobless total in Germany – and in other European countries – by adopting a less restrictive monetary policy. In reality, the current high unemployment rate strengthens the Bundesbank's hand.

But if the strategy of the Bundesbank is to put Emu off indefinitely to maintain its hegemony, the rest of Europe does not need to submit to this blackmail. Instead, it should stick with the original schedule, beginning the final phase of monetary union according to the Maastricht timetable. This would preferably take place with Germany – perhaps with an elastic interpretation of the Maastricht conditions. But if Germany initially opted out, Europe should go ahead anyway.

Europe, drawing on conventional wisdom, might regard this proposal as whimsical, or even in bad taste. It would be wrong. From an economic point of view, the proposition is perfectly feasible.

This was the conclusion reached in August 1993 in an article in the Financial Times by economists from the Massachusetts Institute of Technology – Paul Samuelson, Robert Solow, Stanley Fischer, Paul Krugman, Rudiger Dornbusch, Olivier Blanchard and Franco Modigliani (one of the anthors of this piece).

The seven economists started with the assumption that the monetary policy of the Bundesbank was choking the other member countries and that Germany was seeking a revaluation of the D-Mark to hold down inflation. They suggested France should take the initiative by promoting a fixed exchange rate with other European countries, leaving the D-Mark to fluctuate freely.

The proposal was realistic given the size of this European bloc, which has a GDP almost three times as large as Germany's and nearly 90 per cent the size of the US.

The group should have immediately begun a co-ordinated economic policy of lower interest rates, perhaps under the aegis of the European central bank. Such a strategy, which would have led to a devaluation of their currencies against the D-Mark, would have been more in keeping with their depressed economies and high rates of unemployment.

To be successful, there would need to have been an explicit accord between trade unions and employers – similar to the one implemented in Italy in 1992 and 1993 – to prevent the devaluation translating into an inflationary spiral.

But nothing was done in 1993 because France considered a devaluation of the franc to be a dishonour, inconsistent with *la grandeur de la France*. It has paid dearly for that decision. Unemployment, already at 10 per cent in 1992, has risen to nearly 13 per cent.

All the considerations in favour of this "Junior Maastricht" remain valid today. What is more, Germany might now be tempted to lower its interest rates in line with the junior bloc. If it did not, the consequent revaluation of the D-Mark would damage Germany by reducing net exports, seemingly the only positive element of a rather dim economic picture.

Thus, at last, it would be Europe with its central bank guiding Germany along the right path, instead of Germany forcing Europe along the wrong one. In all probability, Germany would eventually ask for readmission to the bloc. This could be granted immediately, but with a higher exchange rate parity for the D-Mark. Thus Europe would achieve a true Maastricht with a strong Germany, but one without "absolute power".

This may all be a beautiful "Midwinter Night's Dream" destined not to come to fruition because of political considerations and lack of imagination. After years of dramatic sacrifices in the name of the *franc fort* policy, it would be hard for France to accept separation from – and devaluation relative to – the D-Mark. Neither may the UK be prepared to give up its isolationism.

That would be a shame. In our opinion, the mere fact of threatening to launch a Junior Maastricht could prompt Germany to rediscover its wisdom and its will to enter Emu from the start without damaging either itself or the rest of Europe.

In conflict: Helmut Kohl might lose to the Bundesbank

Franco Modigliani is institute professor emeritus at MIT; Mario Baldassarri is professor of economics at the University of Rome La Sapienza.

Fascinated by a style guru

Andrew Clark reviews new productions of 'Pelléas et Mélisande' and 'Owen Wingrave' in Paris

No one in Paris can be sure they understand Bob Wilson, but they sure are fascinated by him. The cult American director first made a splash in the world's fashion capital in the early 1990s, thanks to the patronage of Pierre Bergé at the Opéra Bastille.

Instead of dismissing Wilson as phoney, Parisian impresarios keep coming back for more. This season alone, his credits have included a Stravinsky/Bartók double-bill at the Châtelet, a fashion parade at Galeries Lafayette and *Time Rocker* by Darrel Pinckney and Lou Reed at the Théâtre de l'Odéon. Now, at the *Palais Garnier*, comes a pillar of the French operatic repertoire, Debussy's *Pelléas et Mélisande*.

Wilson suits Paris, because his work is a triumph of style over content. All his shows look the same: the same vocabulary of hieratic gestures, the same artful lighting, the same pseudo-oriental atmosphere, the same mixture of naiveté and sophistication. As each production unfolds, it is hard to discern any sense of engagement with a new or different set of ideas. Instead, each work is tested against Wilson's own aesthetic, with greater or lesser results. What draws the crowds is his perfectionism, his iconoclastic sense of spectacle, his very refusal to interpret. The audience is left to divine its own interpretation through the filter of Wilson's slow-moving stage ritual.

The best part of *Pelléas* – as in most Wilson shows – was the lighting. The stage was a moving picture of gently spotlit faces and shadowy silhouettes, picked out against a background of geometric shapes in luminous blne and green. But illumination of the drama? Forget it. None of the characters so much as touched. Such physical isolation could have been an apt metaphor for the emotional frigidity of tha bouse of Allemonde, had not Wilson's choreography been so robotic. Stranded on either sida of the stage during the castle window scene, the two title characters generated as much sexual frisson as a pair of statues. Phrases laden with expression passed for nothing.

By contradicting poetic images like Mélisande's hair, and by superimposing visual symbols of his own, Wilson made nonsense of the *doubles entendres* on which Maeterlinck's text depends for its allusive power. The result was shallow and monotonous, and a waste of one of the most suggestive scores ever composed.

That is no reflection on the excellent playing of the Opéra orchestra or the conducting of James Conlon. Even in a less than disciplined performance (which was far from the case here), it is instructive to hear French musicians in Debussy, partly for the way they "speak" his language, but also because of the uniquely delicate timbre of their woodwinds, which play such an important rola in this work's atmospheric palette. Conlon shaped the performance with sureness of touch – particularly in the later interludes and the scene hetween Yniold and Golaud, which bristled with tension.

Confined by Wilson to emotional straitjackets, the cast bad little opportunity to develop beyond arcbetypes. Kitted out in a featureless cream hall-gown, Susanne Mentzer's Mélisande looked as if she had drifted in from an hente-conture hallet class, and her tremolo was often more an irritant than a sign of fragility. Russell Braun, in stiff summer suit, was the wimpish Pelléas, while José van Dam – the only native French speaker among the principals – turned Golaud into a ogre with e devastating tongue. Van Dam's voice may be greying around the edges, but he still sings the part with matchless authority. Felicity Palmer, now a regular at tha Opéra, brought unexpected lustre to Geneviève, while Victor von Halem's Arkel was an *inscrutable giant.*

The production moves to Salzburg this summer with a different cast, conductor and orchestra, though it is a mystery why anyone should want to stage such an intimate opera amid the vast expanse of the Grosses Festspielhaus. *Pelléas* works best in intimate surroundings – much lika *Owen Wingrave*, which has had to wait until this season for its French premiere. A touring prodnction by the Atelier dn Rhin visited the Opéra-Comiqne last week, and sold out for four performances.

My only previous experience of Britten's television opera was in Lucerne 10 years ago, in a production so convincing that comparisons with *The Turn of the Screw* seemed logical. So I was unprepared for the feeling of letdown which Pierre Barrat's French-language ataging gave me. All those warnings by Britten experts abont the work's cinematic dramaturgy and haranguing pacifist tone came home to roost: *Owen Wingrove* was reduced to the level of one-dimensional melodrama.

This was e pity, as care had been taken to respect the original setting, and Denis Frucheud's decor – a succession of shadowy walls – conjured the eerie recesses of Paramore by the simplest means. A gauze depicting a body-strewn battleground loomed in the Hyde Park scene, while the Coyles' military establishment was characterised by a red ensign.

So what went wrong? Althougb Britten liked his operas to be performed in the vernacular, this French translation smudged Myfanwy Piper's libretto. Barrat did little to vary the pace, and his characterisation of the principals was slack: would Kate really sidle up to Sir Phillp, pillar of the Wingreve establishment, and put ber hand on his sboulder? Worst of all, the scene leading to the discovery of Owen's body was clumsily handled, and it made nonsense to bave Sir Pbilip cradling Owen's corpse and singing the Narrator's postlude.

Jacques-François Loiseleur des Longchamps made a suitably fresh-faced Owen, without qnite convincing me of his strength of character: the great Peace aria was not the watershed it should have been. Caroline Fèvre made an unexpectedly glamorous wife for Christian Tréguier's dignified Coyle, and it would be hard to imagine a sexier, more manlpnletive Kate than Petricie Fernandez. The others lacked depth and refinement, and there was some slepdash orchestral playing under Scott Sandmeier. Nevertheless, any encounter with Britten's spine-tingling instrumental imagination is instructive, and I look forward to sleeping myself in it further this summer, when Glyndehonrne takes the 1995 Touring Opera production into its repertory.

Inaugural performance: Steve Nicolson as Michael and Nicola Redmond as Sarah in 'Waking' by Lin Coghlan

Alastair Muir

Theatre in London

Family tensions simmer along

After a sojourn at the Cockpit Theatre in north London, the Soho Theatre Company has now embarked on a new life in a new and more appropriately located residence. In the heart of Soho 21 Dean St offers a promisingly intimate little theatre admirably suited to the new writing in which the company specialises.

STC inaugurates the space with an interesting choice of play. *Waking* by Lin Coghlan seems daring in the current wave of in-your-face, brutal drama, not because it belongs to that style but because it so unfashionably doesn't. This is a slow, gentla play that steers througb the choppy waters of father-son relationships.

The play's audacity lies in its unreconstructed realism: there is a slow death on stage, for instance, that feels as if it takes as long as the real thing. In Abigail Morris's sympathetic production this scene has a peaceful quality and overall the gentle rhythm of the play is beguiling. But there are many passages where it is really too slow for its own good.

The play is set on the west coast of Ireland – a place where, if the plays of Martin McDonagh are to be believed, average family communications take their cue from cold war politics. So it comes as no surprise when Sean, a sixtysomething stonemason, greets his son Michael – newly arrived from England – with the terse observation "You're here then." Michael, invalided out of the Navy, has returned home to Ireland after many years of absence. His wife has evidently left him – not surprising once we see his behaviour – but he has bought with him a monosyllabic 13-year-old son.

We soon deduce that there is a lifetime of resentment between Michael and Sean. The two circle around each other in the hot little yard, chipping away aggressively at one another. Grandson Brian adds to the convivial atmosphere by scowling and retreating into his personal stereo. It is only with the arrival of Sarah, an ebullient and kind ex-nun who lives next door, thet things begin to look up. Under ber influence, Brian thaws out just enough to reveal to Michael that he is in grave danger of repeating all his father's mistakes.

Coghlan raises juicy scenes: alongside father-son tensions, sbe also explores the old Irish problem of emigration. But unfortunately sbe says nothing very revealing about these issues and the road the play will take is soon all too obvious. The evening is carried in the end by Nicola Redmond, who gives a wonderfully warm and strong performance as Sarah. James Greene imparts a granite surliness to Sean, but also lets you see bow he has trapped himself into such stubborn intransigence, and Lee Turnbull is pleasing as the young Brian. Steve Nicolson bowever plays Michael almost consistently on one note – festering with bitterness and rage. Since the character is written that way, be has little choice, and this is typical of the problems of a play that is strong on style, bnt in the end takes you nowhere new.

Sarah Hemming

21 Dean Street, London W1 until March 29 (0171 287 5060).

Concerts/**David Murray**

Sounds new and contemporary

Twentietb-century music last week was not confined to Radio 3's "Sounding tbe Century" series, in whicb Friday's instalment consisted of Stravinsky's *Oedipus Rex* and *Perséphone* at the Royal Festival Hall. The Nasb Ensemble gave the second of two contemporary-music concerts in the Purcell Room, including a pair of premieres; and in Manchester's Bridgewater Hall Charles Rosen, Elgar Howarth and tbe Hallé Orcbestra tackled Elliott Carter's 1965 piano concerto, one of that venerable composer's knottiest large-scale works.

It was my first experience of the new Bridgewater Hall, but I formed no opinion about the acoustics: none of the Halle's music this time was for a "normal" orcbestra. Tippett's *The Rose Lake* uses the orchestra in distinctive fragments, backed by a battery of rototoms. It sounded lovely and uncomplicated in this performance.

Howarth's own arrangement of Mussorgsky's *Pictures* for brass and percussion rang out brazenly enough, with much panache. Though Rosen was eloquent in the soloist's Beethovenish moments and brilliantly fluid in the figuration, the *concertante* group surrounding him sounded faint and distant, and in *ff* the main band never quite achieved the overwhelming, suffocating effect tbe composer wanted. There was nonetheless a strong sense of musical purpose.

Down soutb again, Andrew Davis and the BBC Symphony made *Perséphone* not only properly vernal, but unusnally dramatic and pointed. The curse of this dellcate, baunting, very "classical" score is blandness; Davis evaded that with remarkeble success. The American tenor Donald Kaasch was perfectly stylish in line and in diction.

The women's chorus boasted far better French than one normally hears from a London chorus, to the immense benefit of the music: light, clear, sprightly. In the beroine's spoken role, Irène Jacob's native French left Gide's flowery text quite flat: sha is apparently too modern an actress to know how to deliver that kind of rhetoric. *Oedipus Rex* went very well; we needed a stronger Messenger for the grand, fatal report, and in the unforgettable choruses that frame the action a degree less of urgency, two degrees more of monumental gravity.

Tbe Nash programme consisted largely of tbeir own commissions, two brand-new and two older ones, and all written for either the trio patented by Debussy for his evergreen Sonata – flute, viola and harp – or a larger ensemble built round that core. The first priority for any such piece is not to *sound* like Debussy's. Sally Beamish's shapely new "lament", *Between Earth and Sea*, fulfilled that requirement with nice imagination. The most obvious features of Nicholas Maw's deft voice-and-trio *Two in the Campagna*, on a Browning love-poem, are too old-fashioned ever to suggest Debussy.

It was good to hear Simon Holt's 1986 *Canciónes* after Lorca again, still crisply individual and tangy. (The redoubtable Fiona Kimm did all the singing bere, having learned the music at very sbort notice when Jean Rigby fell ill: one could not have guessed.) Young Julian Anderson's latest short piece *Poetry Nearing Silence*, a "divertimento after Tom Phillips", was engegingly odd, skidding between lively *hommages* to one idiom after another, and incurring compacted fractures along the way. One of these days Anderson will hazard a longer piece, and we may discover what he is really on about.

Passionate about humanity

Reviewing *Viper's Opium* at the Traverse last summer, I remarked that the play seemed a little inchoate. After receiving minor surgery, and away from the meltdown atmosphere of Edinburgh, it emerges as a more powerful and coherent piece, now being performed by Starving Artists in rep with the magnificent *Road Movie*.

The company – writer Godfrey Hamilton and performer Mark Pinkosh – have more or less alternated over the years between solo works for Pinkosb and two-handers. *Road Movie* falls into the former category, *Viper's Opium* into the latter, and in Kathryn Howden they bava found an assured, vibrant foil for Pinkosh. As Cricket – a young woman who cares so much that she keeps losing jobs for advising customers to go elsewhere – Howden hlithely sparkles her way past any audience doubts about ber character's actions or motivations, until complications set in with her latest adopted waif-and-stray, Curtis, a frazzled, recovering alcoholic wannabe screenwriter.

Where *Road Movie* exhibits Pinkosh's skills in multiple characterisation and his ability to bring alive Hamilton's most sensuous, sensitive writing, *Viper's Opium* is a monkey puzzle of themes, metaphors, fragmentary remarks and conversations often incomplete or evasive. Under Lorenzo Mele's direction, Pinkosh stammers, hesitates and dodges his way through tha tangle with both naturalness and complete comprehensibility.

Curtis and Cricket are one of those foredoomed couples, who could have been perfect together if they did not both like men. (Nevertheless, the play includes what I believe is Starving Artists' first ever hetero sex scene, as the pair melt gorgeously into one another to the strains of Patti Smith's song "Dancing Barefoot".)

As their respective demons gain the upper hand, bowever, and Curtis's unshaped need to rebuild himself clashes with Cricket's co-dependency their parting becomes painfully ineluctable. These are people who, for whatever reason, do not fit into the mainstream, and fall prey to subconscious impulses which prevent them from fitting even with each other. Hamilton's rewritten script weaves a sad lucidity through the relationship's direct and oblique phases, its perfections and insurmountable obstacles alike.

The gay theatre of Starving Artists carries no "Queer" agenda, nor does it claim any privileged status for emotions or situations on the grounds of sexuality alone. Its passionate humanity speaks to all.

Ian Shuttleworth

In rep at the Drill Hall, London WC1, until March 29 (0171-637-8270)

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Radio Filharmonisch Orkest: with conductor Alexander Lazarev and soprano Elena Brilova perform works by Dvorák and Glière; Mar 16

■ BARCELONA

EXHIBITION
Fundació Joan Miró Tel: 34-3-3291908
● Flying Over Water. The Icarus Adventure: An Exhibition by Peter Greenaway: British film director Peter Greenaway approaches the universal theme of the human desire to fly with a large installation occupying the foundation's entire exhibition space; to May 25

■ BERLIN

CONCERT
Philharmonie Berlin - Grosser Saal & Kammermusiksaal Tel: 49-30-2614383
● Berliner Symphoniker: with conductor Eduardo Marturet perform works by Schubert, Brahms and Dvorák; Mar 16

EXHIBITION
Berlinische Galerie - Landesmuseum für Moderne Kunst, Photographie und Architektur. Tel: 49-30-254860
● Edward Kienholz: A Retrospective: exhibition tracing the works of Edward and Nancy Reddin Kienholz over the past 40 years. The couple's work embraced aspects of Pop Art and Surrealism, influences apparent in their installation work shown here; to Mar 31

■ CANBERRA

EXHIBITION
National Gallery of Australia Tel: 61-6-240-6411
● The Europeans: Emigré Artists in Australia 1930-1960: display of more than 200 works, covering a wida range of media by artists who emigrated to Australia over 30 years, from the 1930s to the 1960s. Paintings, drawings, photographs and prints, sculpture, ceramics, fashion, jewellery, furniture and architectural drawings are all featured, representing a number of European art movements, including Russian Constructivism, Bauhaus, Wiener Werkstatt and de Stijl; from Mar 15 to Jun 9

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Libussa von Jena and Axel Bauni: the soprano and pianist perform works by Schubert; Mar 16

EXHIBITION
Schnütgen Museum Tel: 49-211-2212310
● Beuys und das Mittelalter: exhibition examining the influence of the Middle Ages in the work of artist Joseph Beuys. Common characteristics with work from the period include usage of colour as symbolism; to Apr 27

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● London Symphony Orchestra: with conductor Zubin Mehta and sitar players Ravi Shankar and Anoushka Shankar perform works by Sohal, R. Shankar and Mahler; Mar 17
Royal Festival Hall Tel: 44-171-9604242
● BBC National Orchestra of Wales: with conductor Mark Wigglesworth, pianist Joanna MacGregor and mezzo-soprano Sarah Walker perform works by Stravinsky; Mar 16
● St. Matthew Passion: by Bach (in English). Conducted by Sir David Willcocks, performed by the Bach Choir and the English Chamber Orchestra. Soloists include soprano Rita Cullis, bass Stephen Roberts and organist Jane Watts; Mar 16
Wigmore Hall Tel: 44-171-9352141
● Andrew Wilde: the pianist performs works by Schubert and Beethoven; Mar 16

EXHIBITION
National Gallery Tel: 44-171-7472885
● Young Gainsborough: based around the National Gallery's collection of Gainsborough's early work, this exhibition traces his development as a portraitist and painter of landscapes in his native Suffolk. Among tha pictures shown are several of the artist's family, including one from the Louvre, as well as other loans from British collections; to Mar 31

JAZZ & BLUES
Ronnie Scott's Tel: 44-171-4390747
● Sarah Jane Morris: performance by the British jazz singer; from Mar 17 to Mar 22

MUSICAL
Olivier Theatre Tel: 44-171-9282252
● Guys and Dolls: by Runyon with music by Loesser. Directed by Richard Eyre and starring Rae Baker, Christopher Beck and Connor Byrne; from Mar 17 to Mar 22

■ LOS ANGELES

EXHIBITION
MOCA at California Plaza Tel: 1-213-626-6222
● Uncommon Sense: the presentation of a programme of newly commissioned individual projects, collaborative works and performances by artists chosen for their longstanding commitment to socially relevant artmaking practices; from Mar 16 to Jul 6

■ MAASTRICHT

ART & ANTIQUE FAIR
MECC Tel: 31-43-3838383
● The European Fine Art Fair: this year this international art and antique fair celebrates its 10th anniversary. The fair offerings ranga from old masters (including works by Breughel, Van Goyen, Steen, and others), 20th century art, drawings and prints to textile, illustrated manuscripts, books, antiques, classical antiquities and Egyptian works of art; to Mar 16

■ NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● Artur Papazian: the pianist performs works by Mozart, Chopin and Debussy; Mar 17

JAZZ & BLUES
Blue Note Tel: 1-212-475-8592
● B.M.I. NY Jazz Orchestra: showcase evening for new jazz composers. Soloists include saxophonist Joe Lovano; Mar 17

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Eugen Onegin: by Tchaikovsky. Conducted by Antonio Pappano, performed by the Metropolitan Opera. Soloists include Galina Gorchakova and Francisco Araiza; Mar 17

■ PARIS

CONCERT
Cité de la Musique Tel: 33-1 44 84 45 00
● Orchestre Révolutionnaire et Romantique: with conductor John Eliot Gardiner and pianist Robert Levin perform works by Schumann; Mar 16

■ THESSALONIKI

EXHIBITION
Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6
● Designing the Environment: exhibition jointly organised by the Goethe Institut and the Organisation for the Cultural Capital of Europe - Thessaloniki '97 to promote Expo 2000 to be held in Hanover. The display features 30 technologically innovative and environmentally friendly products. Tha exhibition takes place at the Helexpo (Pavillion 1); from Mar 17 to May 17

■ VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Die Walküre: by Wagner. Conducted by Runnicles and performed by the Wiener Staatsoper. Soloists include U. Gustafsson, Eaglen and Priew; Mar 16

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Squawk Box

10.00
European Money Wheel

16.00
Financial Times Business Tonight

FINANCIAL TIMES
Friday March 14 1997

Albania urges Nato to help end anarchy

By Guy Dinmore in Tirana, Robert Graham in Rome and Kevin Done in London

Albania appealed yesterday for military intervention by the European members of Nato in a desperate attempt to halt the country's headlong slide into anarchy.

But following an emergency meeting of Nato ambassadors in Brussels a Nato official said "there was very little enthusiasm for any military intervention", except in the unlikely event of a political settlement.

Albania plunged further into violent disorder yesterday as gangs and townspeople across the country looted weapons from army barracks.

The army and police disappeared from the capital Tirana, surrendering the streets to mob rule. Gunfire resounded throughout the city as night fell. People ransacked flour mills and factories, hurrying home with looted weapons. Prices doubled as frightened residents stocked up on food.

The EU and other western governments moved urgently to evacuate their nationals from the chaos.

Tirana airport was closed with gunmen roaming the area, and embassies were forced to send convoys of vehicles to the Adriatic port of Durres, where foreign nationals fleeing the disorder were evacuated to Italy by Italian warships.

The US State Department said it had started to evacuate non-essential government staff and US citizens by helicopter. US warships were stationed in the Adriatic to help.

EU foreign ministers are to meet this weekend in the Dutch town of Apeldoorn for informal talks which will include Albania.

Mr Hans van Mierlo, Dutch foreign minister and president of the European Union's Council of Ministers, said last night the EU was considering the Albanian request.

But the initial response was cautious. The British Foreign Office said the situation was "confused and rapidly changing" and there were "no plans for Nato countries to become involved in a major military operation to restore order in Albania".

The Albanian government said all political forces in the country had agreed that outside military assistance was needed "to restore constitutional order and to preserve the country's integrity".

Earlier the President, Mr Sali Berisha, swore in a government of "national reconciliation" led by the opposition Socialist prime minister, Mr Bashkim Fino.

Mr Berisha has so far rejected demands for his resignation by rebel leaders who have launched an insurrection in southern Albania.

Mr Fino said: "We're on the brink of civil war here... Europe does not need to have all this going on."

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Editorial Comment, Page 15

Japanese economic growth at highest since 1991

By William Dawkins in Tokyo

Japan's economy grew by 3.9 per cent on an annualised basis in the last three months of 1996, bringing growth for the full year to a robust 3.6 per cent, the government's Economic Planning Agency announced yesterday.

Last year's growth rate was the highest of any developed economy and Japan's best since 1991, said the agency, though it confirmed that the pace of expansion would slow this year.

Performance in the final quarter was at the top end of expectations, and was portrayed by government officials as a sign that the recovery is strong enough not to need any relaxation in Japan's tight fiscal policy.

The full-year growth rate was distorted by artificially strong data in the first quarter. Since then the Japanese authorities have introduced more accurate seasonal adjustments.

Mr Shimpei Nukaya, EPA deputy director-general, said growth in gross domestic product was on track to meet the more modest government target of 2.5 per cent for the fiscal year ending this month. He then expected it to slow down, as a result of the drag on private spending to be created by a rise in sales tax next month, before picking up again in the second half of the year.

Last year's fourth-quarter growth was largely driven by private spending – which accounted for 60 per cent of GDP – as consumers rushed to buy houses and cars before the impending sales tax rise next month. Private consumption grew by 2 per cent in the final quarter, slightly faster than the 1.8 per cent of the previous three months.

However, there were signs of sustainable growth in other components of GDP. Corporate investment, for example, rose by 8.4 per cent, continuing a strong trend which started in early 1995.

Another factor in the brisk performance was a sharp rise in overseas sales, proof that the yen has declined to a level at which Japanese manufacturing is internationally competitive.

Exports rose by 5.4 per cent year-on-year in the final quarter, easily outstripping 4.7 per cent import growth.

However, economists warned that exports could prove volatile in the future. Mr Brian Pearce, chief economist at SBC Warburg Securities in Tokyo, said a continued rise in foreign sales might bring another period of yen strength, in which case export growth might ease again.

NTT and BT in joint bid for Singapore telecoms

By James Kynge in Kuala Lumpur and Alan Cane in London

Nippon Telegraph and Telephone, the world's largest telecoms company, and British Telecommunications, the UK's dominant telecommunications operator, are bidding jointly for Singapore's second national telecoms licence.

The first collaboration in an overseas bid by BT and NTT has inspired speculation that they are exploring stronger links. "This illustrates the ever-closer relationship between BT and NTT," said Mr Andrew Harrington, senior telecoms analyst with Salomon Brothers in London. "It will make it very difficult for another global alliance to attract NTT."

BT has failed to persuade NTT to become the Asian partner in Concert, its international alliance with MCI of the US. NTT, to be freed next year to compete in international markets, says it is seeking strategic overseas partners rather than joining an international grouping.

BT said yesterday the Singapore bid was unrelated to any other development.

BT and NTT have formed a consortium with two state-owned companies, Singapore Power, the country's principal gas and electricity utility, and Singapore Technologies Telemedia, its largest local telecoms operator.

The consortium is the first to announce its intention to take up one of "up to two" licences Singapore has pledged will be awarded before April 1, 2000, when Singapore Telecommunications, the incumbent operator, is to lose its fixed-line business monopoly.

Applications have to be submitted by May 31. The successful bidders should be announced by mid-1998, giving them 18 months to build their networks. Bidding consortia must be owned at least 51 per cent by Singapore companies.

Another consortium was likely to announce its intention to bid, analysts said. The Singaporean partners will be Singapore Press Holdings, which has diverse publishing interests, and Keppel Telecommunications and Transportation, a government-linked company that is part of the large Keppel Group.

It is not clear which foreign companies will take part. The leading contenders are Cable and Wireless, the UK company, and its subsidiary, Hong Kong Telecommunications.

Although Singapore has a population of only 3m, it has been a lucrative market for telecommunications partly because of high penetration rates and partly because of a preponderance of corporate clients. The island is also the financial centre for Soong Telecoms.

Israeli schoolgirls murdered

Continued from Page 1

me, at my children, at the people of Jordan and the Jordanian army".

Mr Netanyahu, under pressure from nationalist and right-wing members of his Likud coalition to press ahead with the Har Homa development, said Jordan should punish those responsible for the "murder of innocent girls". He summoned his inner cabinet to discuss the killings and plans by Mr Arafat to convene a meeting of countries involved in the Middle East negotiations at Gaza tomorrow.

The US said it would attend but told Israel no decisions would be made. Israel has insisted the meeting contravenes the Oslo peace accords.

But diplomats said the US was expected to try to rescue the peace process by attempting to break the deadlock.

Bonn coal deal

Continued from Page 1

payments to the industry to DM58.55bn. North Rhine Westphalia, which includes the Ruhr coalfield, will provide support totalling DM9.61bn over the next nine years. Ruhrkohle, the main mining company, will also contribute DM1bn from non-coal activities after 2000. The government and opposition SPD also agreed to talk about the future of nuclear power.

THE LEX COLUMN

NatWest's lost bearings

Even at £77m ($122m) the size of NatWest Markets' derivatives losses pales into insignificance beside the failure of control at the investment bank. It seems that the mispricing of option contracts behind the débâcle started in 1994 and went undiscovered for over two years. This was despite the fact that the Barings' collapse during that period sent all of London's banks scurrying to re-examine risk controls.

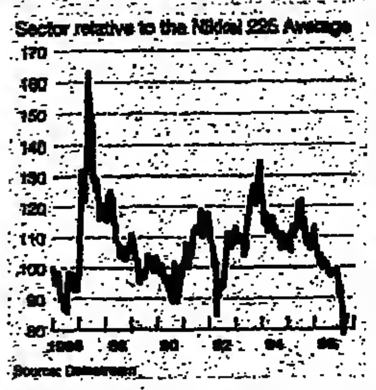
Moreover, unlike Mr Nick Leeson at Barings, Mr Kyriacos Papouis – the former NatWest trader alleged to be at fault – did not conceal his dealings from his superiors. Instead, he appears to have persuaded them that his assumptions, on subjects like option volatility, were correct even though they were increasingly out of line with the market. The third worrying aspect is that interest rate and currency options, while technically complicated, are not rocket science but standard banking products. NatWest has been using them for a decade to hedge fixed rate mortgages. All this reflects badly on the bank's managers and risk management systems.

To NatWest's credit, it has been open about the problem and acted decisively. By suspending employees and cancelling bonus payments it is sending a long-overdue signal of the risks that come with well-paid City jobs. That may do something to limit the damage to its reputation. The biggest worry of all, perhaps, is that it is just as easy to imagine this happening at any of the bank's rivals.

FTSE Eurotrack 200:
2217.5 (-18.9)

Japanese banks

Sector relative to the Nikkei 225 Average



Source: Datastream

Stet/Tim

Many people have gone grey waiting for the privatisation of Stet, the Italian telecoms conglomerate. And, unless the hardline Communist party can be shifted, their hair will turn white. Before Stet can be privatised, legislation setting up a regulatory authority must be passed – and that requires a deal with the Communists.

But Italy's Prodi government should not be downcast. Why not use any further delay to privatise Stet in parts? Telecom Italia Mobile (Tim), the cellular operator controlled by Stet, could be demerged. The state would have no problem selling its shares in Tim, as a regulatory authority is only needed to privatise Italy's fixed-line telecoms network. The rest of Stet could be privatised once the Communists had been won over.

Moreover, such a split could enhance the value of the state's stake in Stet, which has traditionally traded on a big discount to the sum of its parts. Much of that discount vanished when the government decided last November to merge Stet with Telecom Italia, its fixed-line subsidiary, and spin-off its yellow pages arm. Since then, the value of the state's shares have risen L7,000bn ($4bn). But a discount of over 10 per cent remains. If that could be eliminated – something a Tim spin-off would go a long way to achieve – the government's stake would be worth a further L3,000bn more. Even for a country, that is a significant sum. Given Italy's heavy debt burden, it should grasp the opportunity.

Japanese banks

Japan's "big bang" deregulation proposals have raised hopes that the country's ailing financial sector will reinvent itself. One might have thought merging weaker banks with stronger ones, cutting costs and adding new lines of business, would produce a top tier of profitable, internationally competitive Japanese houses.

Unfortunately, even massive consolidation will not lead to satisfactory returns. Imagine that all Japan's banks, stockbrokers and general insurers merged and cut operating costs to zero. The combined entity's return on equity would still be below 20 per cent, according to Goldman Sachs. This extraordinary statistic is based on one simple fact: Japan's banks care more about market share than profits. Calculation on the same basis indicates that such an ROE of larger US banks is about 42 per cent, while that of British ones is 55 per cent. No amount of Japanese cost cutting will bridge those gaps.

There are two ways out of this trap. The first is to increase revenues. But quite apart from the costs of entering new businesses, it would take a 64 per cent increase in combined turnover to produce a 20 per cent return on equity. This is unthinkable. The real solution is to shrink balance sheets radically, for instance by securitisation. But managements have little incentive to reduce the size of their businesses to improve profits, particularly when most shareholders are also customers who benefit from the banks' low-priced services.

Reckitt & Colman

Reckitt & Colman has wiped away its dusty old image over the past two years, to reveal an attractive takeover target. Three-quarters of the group's products, such as Lysol and Dettol disinfectants and Haze air fresheners, are the number one or two brand in their market. A quarter of sales and profits come from rapidly growing markets in Asia, Africa and Latin America. And operating margins have risen above 16 per cent, while residual cash flow – after tax, interest, dividends and capital spending – was almost £80m last year.

Such a combination is sure to arouse the interest of the world's big consumer goods companies, such as Procter & Gamble or Unilever. The latter should receive around £5bn from the sale of its speciality chemicals arm and its joint chairman, Mr Niall FitzGerald, is keen to expand in areas he knows well, like household goods, and in emerging markets.

Nor is Reckitt's particularly expensive. Despite a sharp rise in its shares in the past month, at 787p the group is trading on less than 15 times prospective earnings, compared to 18 times for Unilever. US rivals, including P&G, Colgate Palmolive and Clorox trade at ratings of between 22 and 26 times. Valuing Reckitt on the same multiples of sales and earnings that it paid for America's L&F in 1994, produces a share price of around £10, capitalising the UK group at just over £4bn. A bidder like Unilever, who could reap significant cost savings, might be prepared to pay even more.

Additional Lex on Enterprise Oil, Page 23

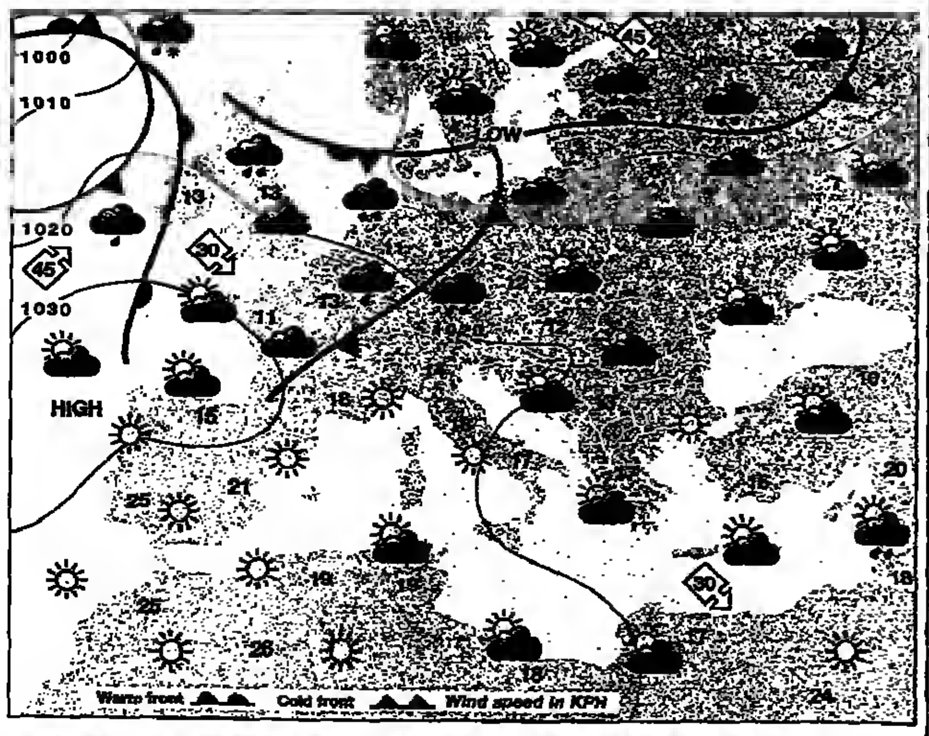
FT WEATHER GUIDE

Europe today

High pressure will continue to promote fine, mild conditions with ample sunshine on the Iberian peninsula, the Cote d'Azur, most of Italy, Greece and much of Turkey. Several disturbances will travel north of this high across the UK and into central Europe. Western and northern parts of the UK will be cloudy with rain. The southern UK will be dry with sunny spells. There will be cloud and drizzle in the Benelux, Germany, Poland, the northern Alps, northern France and southern Sweden. The north-western Balkans will be cloudy but dry.

Five-day forecast

Disturbances will travel eastwards across the UK and north-western Europe towards Russia, resulting in unsettled conditions. High pressure will continue in southern Europe, producing a lot of sun. The UK will stay unsettled, especially in the north. The southern UK will be mild.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES (Maximum Celsius)

City		City		City		City		City		City	
Abu Dhabi	fair 31	Beijing	cloudy 11	Caracas	fair 28	Faro	sun 20	Madrid	sun 21	Rangoon	sun 37
Accra	fair 32	Belfast	cloudy 12	Cardiff	cloudy 12	Frankfurt	rain 12	Majorca	sun 19	Reykjavik	fair -2
Algiers	sun 19	Belgrade	cloudy 12	Casablanca	sun 18	Geneva	cloudy 15	Malta	fair 16	Rio	shower 32
Amsterdam	drzzl 11	Berlin	rain 11	Chicago	snow 2	Gibraltar	sun 19	Manchester	cloudy 13	Rome	sun 18
Athens	sun 16	Bermuda	sun 20	Cologne	drzzl 12	Glasgow	cloudy 12	Manila	fair 32	S. Frsco	sun 20
Atlanta	shower 21	Bogota	fair 19	Dakar	sun 26	Hamburg	rain 10	Melbourne	fair 20	Seoul	cloudy 19
B. Aires	sun 24	Bombay	sun 34	Dallas	fair 16	Helsinki	fair 2	Mexico City	sun 24	Singapore	shower 32
B.ham	cloudy 14	Brussels	drzzl 12	Delhi	fair 30	Hong Kong	fair 25	Miami	shower 28	Stockholm	fair 3
Bangkok	fair 36	Budapest	cloudy 13	Dubai	fair 31	Honolulu	fair 28	Milan	sun 17	Strasbourg	drzzl 14
Barcelona	sun 18	C.hagen	rain 8	Dublin	cloudy 12	Istanbul	sun 11	Montreal	snow -1	Sydney	shower 25
		Cairo	fair 18	Dubrovnik	fair 14	Jakarta	shower 32	Moscow	cloudy 4	Tangier	sun 20
		Cape Town	fair 26	Edinburgh	cloudy 12	Jersey	fair 11	Munich	cloudy 14	Tel Aviv	rain 17
						Karachi	cloudy 31	Nairobi	sun 29	Tokyo	fair 16
						Kuwait	fair 18	Naples	sun 17	Toronto	sleet 3
						L. Angeles	sun 25	Nassau	shower 28	Vancouver	rain 11
						Las Palmas	fair 23	New York	rain 9	Venice	fair 14
						Lima	sun 28	Nice	fair 17	Vienna	cloudy 12
						Lisbon	sun 23	Nicosia	shower 17	Warsaw	rain 9
						London	cloudy 15	Oslo	cloudy 6	Washington	rain 14
						Lux.bourg	drzzl 10	Paris	cloudy 14	Wellington	fair 19
						Lyon	cloudy 16	Perth	sun 30	Winnipeg	sun -14
						Madeira	fair 18	Prague	cloudy 12	Zurich	cloudy 12

FINANCIAL TIMES
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Friday March 14 1997

Europe's black hole

The collapse of public order in Albania presents Europe's post-cold war security arrangements with a test case so perfect that it would be surprising if it has not already been used as a war-game scenario. The only missing element was supplied yesterday when President Sali Berisha and all Albania's political parties requested military assistance from the Western European Union.

Military involvement in another Balkan country is about the last thing any western government wants. True, the current Nato-led operation in Bosnia (*S-For, formerly Ifor*) is claimed as a success. But it was deployed only after three and half years of war had produced a clear military situation, each part of the country being controlled by a more or less disciplined army with an identifiable chain of command. Even so, S-For's commanders know they bave done no more than stabilise this situation, and that fighting could resume as soon as the Nato presence is removed. Such positions are notoriously *much* easier to get into than to get out of.

The prospect of involvement in Albania seems all the more intimidating because there is now apparently no one at all in control. That means no *interlocuteurs valables* for an intervention force to parley with and no demarcation lines for it to police. Moreover, the deployment in Bosnia has left European governments with very little spare capacity for this kind of military operation.

Yet Europe can hardly ignore the appeal from Albania's political leaders. A policy of benign neglect, leaving the country to sink into chaos until some warlord emerges on top of the beap, is not a cost-free option because such chaos could not be contained within Albania's borders. It would inevitably affect the athnic Albanian majority in Kosovo and the minority in Macedonia, as well as the ethnic Greek minority in Albania itself; and thus very likaly ignite the southern Balkan conflict wbich was often touted (rather less plausibly) as a possible knock-on effect of the war in Bosnia. Even without thet, both Italy and Greece may face a mass influx of refugees, of which both have already had a traumatic foretaste.

Those two countries at least will therefore be anxious to give Albania's political leaders whatever help they can in restoring order. It was probably on Italian advica that the Albanians addressed themselves to the WEU, the body which defines itself as both "European pillar" of Nato and the "defence dimension" of the EU. Albania could, at least in theory, he an appropriate testing-ground for a Nato "combined joint taskforce" under WEU leadership, since the US is unlikely to commit its own troops but would support the objective, and therefore be happy to see Nato equipment and logistical assets deployed.

A beavily armed police operation could perhaps overawe the rioters sufficiently to induce a period of calm, during which at least some of the looted weapons would be recovered, the Albanian army reformed and retrained, and genuinely free elections organised. It would involve great risks but – as so often in the Balkans – there are no risk-free options in sight.

Bank check

Mr Martin Owen, chief executive of the National Westminster Bank, did not exactly fall on his sword yesterday. But his decision to forgo 40 per cent of his £500,000 bonus, in explation of a derivatives trading loss, might suggest a welcome shift in City attitudes.

The dangers of a gulf between personal rewards and corporate risk were shown all too spectacularly during the collapse of Barings in the winter of 1994-95. Then senior executives were expecting bonuses totalling £102m, some of them for failing to supervise Mr Nick Leeson, the rogue trader who reported spectacular profits on operations which none of them fully understood.

Such rewards are no incentive to prudence; instead, they might well lead executives to be too sanguine about riske from which they stand to gain. No doubt some lessons were learned from Barings. But the loss suffered by NatWest raises the disturbing question as to whether enough has been done. This loss was much smaller than that at Barings and resulted from trading which was legal and open. But it did involve large potential risks, much more complex than those which most people associate with a higb street bank.

As they moved into global financial markets during the 1980s, such institutions hired executives on big salaries to manage the new risks. Five such supervisors have now been suspended at NatWest and a total of £8m of expected bonuses has been withheld, including Mr Owen's. In making such public examples NatWest bas resisted the temptation, which is still too strong in the City, to bush up embarrassing failures, especially those which, as in this case, pose no serious corporate threat. As the Bank of England has warned, if the dangers of personal failure are seen to be slight, a culture of excessive risk-taking may result.

Large banks can no longer avoid being involved in the arcane world of financial derivatives trading if they want to remain internationally competitive. So computer systems of increasing sophistication bave been employed to manage the risks which this involves. If one lesson is to be drawn from NatWest's embarrassment, it is that computers cannot substitute for the vigilance of good people. And if the best are shown a path to great financial heights, they need also to be made aware of the precipices.

Blooming bio

The rapid growth in the UK's biotechnology sector is gratifying. It shows that academic science is being turned more effectively into medical and agricultural practice througb commerce.

But there are risks. The prospect of quick money may tempt too many scientists away from basic research, the seed corn for future applications. And making too much science private property may deny other researchers the tools they need to make further advances.

Biotechnology is the industrial use of biological molecules, in organisms ranging from bacteria through sheep to people. It has become a label for start-up companies seeking to commercialise advances in understanding how living things work.

A survey by Arthur Andersen this week showed that the number of UK biotech companies specialising in drug discovery doubled over two years to 68 in 1996. Add businesses using biotech in agriculture, medical diagnosis and their suppliers, and there are 221 companies employing 10,800 people.

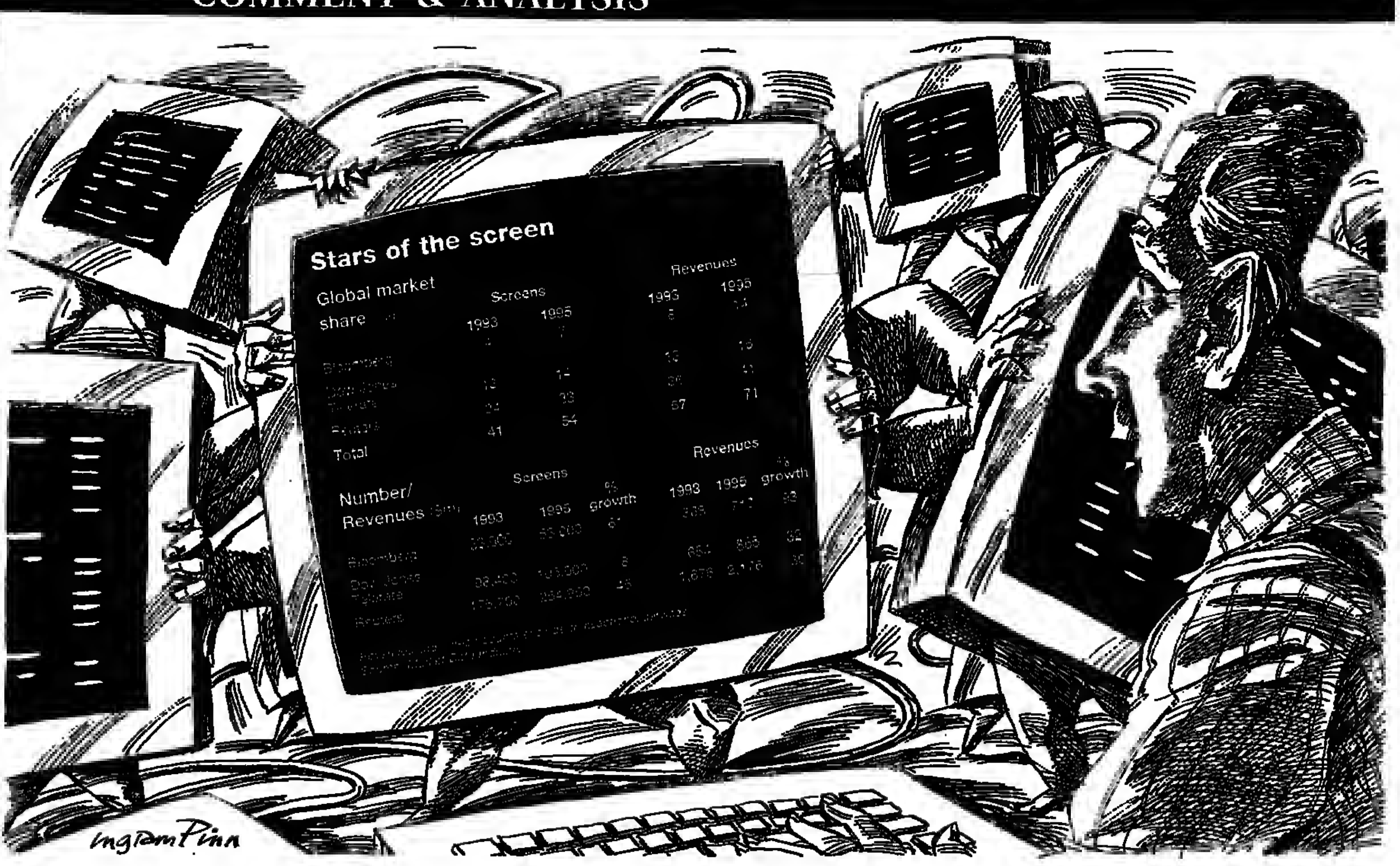
The sector in the UK is still small compared with the US, where more than 100,000 are employed in 1,300 companies. But the UK has more biotech companies than the rest of Europe put together.

Britain's advantages include a strong pharmaceuticals industry, sophisticated investors and equity markets sympathetic to the need of venture capitalists to take profits at some stage.

But there are important differences between the UK and the US. Public funding for science in the UK cannot compare with the power of the US National Institutes of Health and the great American hospital/university complexes. Nor are most UK universities as well equipped to transfer technology into the private sector as their market-savvy US counterparts.

That risks leaving too much power in the hands of private interests seeking to generate a quick commercial return. Science and raw capitalism can be uncomfortable bedfellows. Companies rarely hesitate to buy patents, people or technologies that might challenge their markets – even if this damages the long-term health of research.

A biotechnology sector can remain healthy only if there is a flow of original ideas from basic science. Some of those ideas must come from institutions backed by public funds, which regard replenishing acientific expertise as being at least as important as generating a commercial return.



New rivals in the screen wars

The established providers of financial data face fresh challenges with the spread of Internet technologies, says **Nicholas Denton**

When Reuters, the world's leading financial information vendor, recently bid for a contract to provide market data to Lebman Brothers, the US investment bank, it found itself facing unfamiliar competition.

In addition to a bid from Dow Jones Telerate, a longstanding rival of Renters, there was a pitch from NYQuotes, a little known company which started up less than a year ago and has only 11 staff. The NYQuotes proposal, which significantly undercut those of Reuters and Telerate, offered, among otber services, live foreign exchange rates for as little as $35 a month per user.

Companies sucb as NYQuotes can offer sucb low prices because, instead of delivering financial information via dedicated cabling and terminals, they use the Internet, the public network to which the staff of most international investment banks are now connected.

But the spread of internet technologies may be as much an opportunity as a threat for the established data providers, such as Reuters, Telerate (which is changing its name to Dow Jones Markets) and Bloomberg, the three leading companies.

"The public Internet has tremendously reduced the cost of entry [for potential rivals]," says Mr Dennis Waters, chairman of Waters Information Services, a publishing company which follows financial technology. On the other hand, the Internet should eventually expand the market for established vendors, be says, by lowering the cost of getting information to customers.

Changes in tbe market data business are already being driven by a shift from proprietary systems – terminals which deliver information from a single vendor – to "open systems" bringing data from several providers. The most open system of all links an ordinary personal computer to an Internet-style network.

This is a world away from the first on-line data service of 1964 wben Reuters news agency began publishing UK share prices on a single-purpose electronic display called Stockmaster. Since then, sucb dedicated terminals have proliferated, leaving the desk of a typical trader groaning under the weight of up to a dozen screens. Valuable space is taken up on the trading floor and so much beat is generated that many companies have installed extra powerful air conditioning. "It is getting pbysically impossible to look at that number of screens," says Mr Richard Sharland, a vice-president at Salomon Brothers responsible for dealing technology.

Reuters began to clear up the clutter in 1988 wben it introduced a network allowing other vendors to display their data on its terminals. These "open systems" are becoming the norm altbougb some vendors, notably Bloomberg, have until recently resisted the trend. When ABN Amro, the largest Dutch bank, moved its New York trading floor recently, it cast ont its stand-alone terminals in favour of data feeds into a standard "digital platform".

Further simplification is under way as the Internet communication language, developed for the public web, is becoming standard on private networks. Users will soon be able to access in-house information through the company's own intranet, instantaneous prices from the high-performance networks of providers such as Reuters, as well as material on the pnblic Internet – all using a standard personal computer.

Under this new model, information vendors will supply raw data to "servers" at investment banks. These powerful computers will assemble the information, feeding in data available through the public Internet, before relaying it to personal computers.

"We're fighting for space in the server," says Mr Josepb Kasputys, chairman of Primark, a rival to the three large vendors and owner of several services including Datastream. "The real battle is for wbo gets to provide most of the data that goes into that central computer."

This battle should belp lower prices. A cost-conscious trader with an Internet connection could now get stock prices from Standard & Poor's via Quote.com, US government bond prices through Moneyline, financial information in Polish from Internet Securities, or free foreign exchange rates for the Irish punt directly from Ulster Bank, a subsidiary of National Westminster.

The public internet, which is less reliable than private networks, is not yet suitable for traders requiring instantaneous prices. But the new entrants are making an impact at the margin, by helping drive down the prices of second-tier services. Mr Kasputys says investment banks now routinely haggle over prices with data vendors, by threatening to switch to cheaper providers.

To fight back, companies such as Reuters are trying in distinguish themselves from the low-cost providers in three main ways. First, the established vendors say they ensure the consistency of numbers hy "cleaning" them for discrepancies and anomalies. "Water is free but clean water costs," says Mr Patrick McVeigh, a Reuters executive. "The question is whether yon want to drink out of the bucket."

For straightforward and easily available data, such as live share prices, low-cost vendors are already providing a service adequate for most purposes. But more complicated data requires time-consuming sifting: Primark has 160 staff in Ireland and India wbo do nothing but restate company reports according to international accounting standards.

Second, although real-time data is increasingly available, vendors are seeking to emphasise their own unique content. Bloomberg is growing faster than its main competitors partly because its historical database includes 2m fixed-income securities, more than double its nearest competitor. These help fund managers judge the relative performance of a security over time.

Third, large vendors – even if their data is becoming more widely available – can more easily aggregate the information they provide. Bond and foreign exchange markets may be displayed side by side, for example, allowing cross calculations. "You will still find people today taking data off Telerate and typing it into Bloomberg," says Mr Jonathan Robson, senior vice-president for strategic development at Telerate. "If you can find a fully integrated solution, neatly packaged, you remove the need to mix and match at the desktop."

But Telerate is not alone in offering thet service. At least five vendors are now seeking to provide dats covering all the main markets and regions, with both live and historical numbers. Traditionally, Reuters has been strong in raal-time foreign exchange and equity prices, Bloomberg in bond markets and historical data, and Telerate in US government bonds. Now each is trying to plug its weaknesses.

Two more would-be universal information providers are emerging. Welsh Carson Anderson & Stowe, a New York investment firm, is building a full-service vendor around Bridge Information Systems by acquiring services such as Knight Ridder Financial. In the past six months, Primark has acquired three niche companies including ICV, the UK owner of the Datastream share information service.

The increasing bomogeneity of vendors' products and the rise of new rivals is reducing the ability of providers to extract additional revenues from the trading floor of investment banks, their core market.

Recent announcements from the two largest vendors appear to confirm this. At Reuters, fourth-quarter revenues from the supply of financial information fell 2 per cent, with growth coming from transactions units such as Instinet, an electronic broker. Dow Jones announced a $650m investment programme to boost flagging sales of its Telerate services.

With revenues pared on the trading floor, Reuters is seeking to expand its market with the launch of a half-price, pared-down service over a customer's intranet for fund managers, corporate financiers and other non-trading staff. It also supplies data to about 30 web sites.

Other businesses are opening up to electronic intermediation as the number of personal computers with internet connections increases. Reuters has developed an electronic system to track invoices for advertising sales, and Telerate posts US wholesale electricity prices on tha internet.

Although providers are having to adapt, the overall outlook is bright as cheaper communications allow vendors to target a new type of customer. Revenues from the provision of market data should grow from $6.5bn in 1996 to $8.5bn in 2000, according to Telerate. Mr Michael Bloomberg, founder of the company thet bears his name, is looking forward to tha challenge. "It's kind of hard not to have a smile on your face," he says.

· OBSERVER ·

Bain weaves a new role

■ Whatever lies behind his departure from UK textiles specialist Coats Viyella, chief executive Neville Bain is leaving the job be recently compared to "climbing a mountain during an avalanche". By stepping down now the 56-year-old New Zealander also gets the chance to practise what he preaches in print.

In last year's worthy management tome *Winning Ways Through Corporate Governance*, Bain called for the creation of a new class of professional non-executive directors; these would be big-hitting managers with enough clout to stand up to the rest of the board.

So was the amiable, outgoing Bain thinking of himself when he described this new cadre of non-execs as "highly experienced professional people, with specialist qualifications and a variety of rich experiences"? On paper he certainly seems to fit the bill: after business school and accountancy exams in the southern hemisphere, Bain spent most of his career with Cadbury Schweppes in New Zealand and South Africa, rising to become group finance director before joining Coats seven years ago.

Bain also believes that the new breed should be able to take on at least five non-executive directorships – or three and one chairmanship – provided they don't have executive roles elsewhere. Aside from Coats, Bain has non-exec positions at supermarkets group Safeway and Gartmore Scotland Investment Trust. Headhunters should take note.

So precious

■ Don't dash to County Donegal on the west coast of Ireland just yet; but Cambridge Mineral Resources, a gemstone exploration company listed in London, just might be on to something big.

All right, so mining companies are always promising to make investors as rich as Croesus. But Cambridge's managing director David Bramhill is at least doing everything he can to dampen down excitement over news that "Gold Hound" – the company's hi-tech panning system – has found small blue sapphires and evidence of diamonds within its Irish licence area.

Bramhill is anxious not to make any premature claims for his company's prospects and says it is playing a patient, long-term game. Even so, it didn't expect such encouraging signs so quickly. It is less than a year since Cambridge obtained the first licence granted in Ireland to prospect for gemstones - "no-one had previously asked", says Bramhill.

"We could have panned for years and discovered nothing but we've found encouraging signs at our first attempt," he adds. Samples are now being analysed and, depending on the outcome, Cambridge – with a modest £3m market capitalisation – could call in someone else's big drills next year. "People thought we were completely crazy. Now they think we're only 90 per cent crazy," chuckles Bramhill.

King Kohl

■ Outraged at government plans in cut subsidies to their industry, Germany's demonstrating miners have indulged in a curious bit of historical digging. Among the chants heard on the streets of Bonn this week were "Wir sind das Volk" (We are the people) and "Wir bleiben hier!" (We're staying put).

To anyone with more than a passing memory of recent German history, the words are eerily familiar; both slogans were used by East Germany's civil rights protestors who took to the streets in 1989. They, of course, went on to topple communism and earn a place in the history books. The miners, having extracted yesterday a better deal on subsidies from Chancellor Helmut Kohl, may be tempted to try the magic words once again.

On the run

■ Jogging sounds like an admirable way in mark International Women's Day. Not, however, if you are an employee of Pouchen Co, a Taiwanese shoe company operating in Vietnam. Twelve female Vietnamese workers were admitted in hospital last week after being forced to jog 4km around the factory floor, the Tuoi Tre (Youth) newspaper reported yesterday.

A 30-year-old Taiwanese manageress apparently ordered the run as a form of group punishment because four workers forgot their regulation work shoes. Local officials have seized the manager's passport to stop her doing a runner.

In addition

■ What price paper qualifications? NatWest, which after a bit of pencil-sucking now reckons it got its options sums wrong to the tune of £90m, is the only UK clearing bank Observer can think of which boasts a chief executive with a first-class degree in mathematics.

The Financial Times

50 years ago

Nationalisation In France
Paris, 13th March. Statements made by the Ministers of Finance and Industrial Production before the Finance Committee of the Chamber revealed some of the highly disappointing results of the nationalisation measures of the last 15 months. Thus, the National Electricity and Gas Board, which has been operating since last May, estimates a deficit of Frs 18 milliards for 1947, although rates have been considerably increased, and although in the past three months the Board has asked for medium-term advances of Frs 12 milliards from the Treasury. The former owners generally operated at a profit.

Cars At Geneva
The International Motor Show opened at Geneva yesterday when 23 British motor-car manufacturers exhibited their products. There are also 18 American, 14 French, four Italian and two Czech exhibitors. The "popular" cars – Austin, Morris, Ford and Standard – are on view, as are the luxury models like Rolls-Royce, Bentley, Alvis, Armstrong-Siddeley etc. Other exhibitors inclnde Vauxhall, Jaguar and Rover.

German acquisition for Magna

By Bernard Simon in Toronto

Magna International, the Toronto-based auto parts maker, is expanding in Europe with an agreement to buy a 75 per cent stake in Georg Naher, a loss-making German supplier of interior panels, carpeting and sound insulation.

The purchase price is about C$40m (US$30.8m). Georg Naher has annual sales of about C$185m from four plants in Belgium, Germany and Spain.

Magna also disclosed plans to move into Latin America. Mr Don Walker, chief executive, said an investment was likely within the next year, with metal components in Brazil the most favoured area. The company has also investigated openings in Argentina.

A spate of earlier acquisitions helped lift Magna's net earnings to C$336m, or C$4.34 a share, in the six months to January 31, from C$139.5m, or C$2.13, a year earlier.

The latest figure includes a C$138.7m gain on the sale of stakes in two German companies.

First-half sales climbed 39 per cent to C$3.63bn.

The quarterly dividend has been raised from 27 cents to 30 cents a share.

However, gross margins, as a percentage of production sales, narrowed to 19.6 per cent from 20.3 per cent. Four recent acquisitions in North America and Europe, including UK-based Caradon Rolinx and Marley Antomotive Components, had an adverse impact of between 2-2.25 percentage points.

Magna said its policy of buying "under-valued", often troubled, businesses tended to dent margins in the early stages of an acquisition. "Margins in these operations have significant opportunity for improvement," the company said.

European sales are expected to reach C$1.3bn-C$1.4bn in the current financial year, or close to 20 per cent of the total.

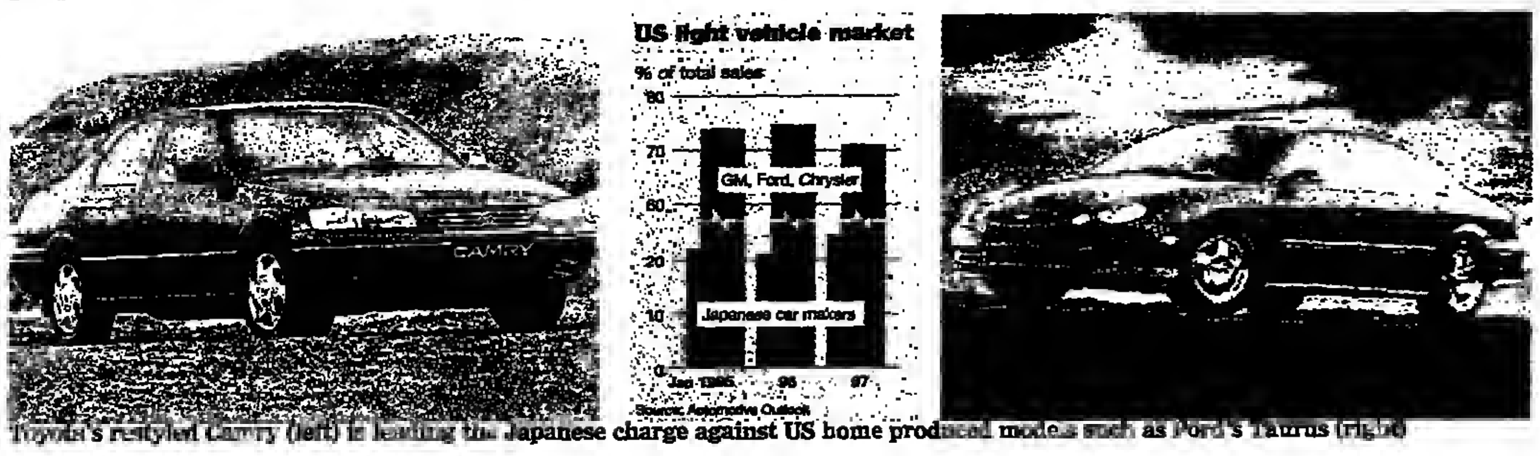
Magna's main customers in Europe are Mercedes-Benz, BMW, Volkswagen and Rover. It is supplying the body for the innovative, two-seat "Smart" car, due to be launched next year, by Mercedes and Switzerland's SMH.

Mr Graham Orr, executive vice-president, said: "We want to replicate in Europe the core businesses that we have in North America."

Magna also announced that it had bought out minority shareholders in Atoma International, which supplies interior components in North America.

Some analysts have raised concerns about Magna's ability to absorb the spate of recent acquisitions, as well as others that the company says are on the drawing board.

Magna shares gained 15 cents to C$71.35 in early Toronto trading yesterday.



Toyota's restyled Camry (left) is leading the Japanese charge against US home produced models such as Ford's Taurus (right)

Japanese cars make new inroads in US

The Japanese are back. In car showrooms across the nation, the American public has rediscovered its appetite for Toyotas, Hondas and Nissans. And while it may be too early to call an end to the sustained recovery of the US motor industry, it seems clear that Detroit faces a more challenging period than it has for several years.

There have been two indications in recent days of the shift in market power.

First came sales figures for February, which underlined the renewed popularity of Japanese marques in the US. Between them, the three biggest Japanese makers have sold 437,116 vehicles so far this year – a fifth more than the same period in 1996.

That translates into a powerful 3 percentage point increase in their share of light vehicles in the US, to 19 per cent. (Each point of market share is equivalent to about 150,000 vehicles in a full year.)

As a whole, Japanese makers have seen the first bounce in their US standing since the early-1990s, and now account for nearly a quarter of vehicle sales.

The second sign came with the news that Chrysler, the smallest of the Big Three US manufacturers, was planning to offer bigger rebates to lift its passenger car sales.

In the fast-growing market for light trucks – sport utilities, pick-up trucks and minivans – the US makers have a strong lead. But their grip on the sluggish passenger car market has weakened in the face of a new onslaught from the Japanese.

Detroit has no doubt about the reason for this unhappy turn of events: the 18-month slide of the yen against the dollar. Other forces have also been at work, however, and point to a broader shift in the competitive balance between US and Japanese manufacturers.

Certainly, the dollar's bounce has had a marked short-term impact. Car exports from Japan jumped in January, with exports to the US rising 75 per cent from a year before.

But the impact of currency moves is more complicated that it was 20 years ago, when the assault on the US was conducted through imports. The steady rise in the yen since then encouraged a shift of Japanese production overseas. Only a fifth of Japanese vehicles sold in the US last year were imported, against 60 per cent at the end of the 1980s.

However, vehicles assembled in the US's so-called "transplant" factories still carry a high proportion of foreign content – 50 per cent or more for most Japanese makers, according to the American Automobile Manufacturers Association. Also, profits earned on US sales are worth more to a foreign company at a time when the dollar is strong.

The yen is only part of the story. More important, say many US motor industry analysts, have been new models of some of the Japanese cars that have proved most popular with American buyers.

The Japanese makers have "revitalised their car line", said Mr George Magliano, a car industry analyst at Wefa Group. "They're much better products when compared with the old Japanese styling."

Leading this charge is Toyota's new Camry, sales of which were up 70 per cent in the first two months of this year. Besides a restyling that has proved popular with car-buyers, the Camry demonstrates two other characteristics of the new Japanese success.

One is that the Japanese have learnt to use attractively priced leases as a way to sell more vehicles. This is a field pioneered by American rivals such as Ford: now, with the aid of a falling yen, Toyota has been able to pitch the monthly payments on short-term leases for its car below those on the rival Ford Taurus.

The Camry embodies another virtue of Japanese car-making: the relentless pursuit of lower cost. While Ford was busy revamping the Taurus by adding more attractive features – something that lifted its price – Toyota was bent on taking oot features which it felt added unnecessarily to cost.

Until the yen's long rise against the dollar ended 18 months ago, it was vital for Toyota to stay in contention: now, after the yen's fall, it has left the Camry a strong competitor.

None of this spells immediate disaster for Detroit, though. For one thing, American vehicle sales have been strong this year as the US economy continues its steady advance, and that benefits all manufacturers.

"As long as the demand's there, and consumers are buying, it's not the worst of all worlds," said Mr David Garrity, an analyst at Smith Barney. The US manufacturers should make more money this year than last, he adds.

Also, exports from Japan are expected to slow from January's heady pace, in part because of the fire which slowed Toyota's production early in the year. In addition, General Motors' cautious relaunch of a range of its big-selling cars, begun late last year, is expected to lead to a steady rebound in its own market share after a recent dip.

This suggests that the Japanese invasion of the 1990s does not hold the terror for the US car companies that the invasion of the 1970s did. But, for Detroit, the competitive landscape has shifted.

Richard Waters

Report finds rise in use of Internet

By Louise Kehoe in San Francisco

Nearly a quarter of the population of North America over the age of 16 – some 50.6m people – accessed the Internet at least once during the month of December, according to a new study.

The latest figures, from a survey conducted by Neilsen Media Research for CommerceNet, a gronp promoting electronic commerce, are more than donble those reported by the first such study, conducted 18 months ago, which found that fewer than 10 per cent of adults and teenagers were using the Internet.

The new study found that 35 per cent of Internet users surfed the World Wide Wab. The rest were sending and receiving electronic mail or visiting online services such as America Online.

The demographics of Internet users have also changed, the study found. Although well-to-do males are still in the majority, the nnmber of women using the Internet increased from 34 per cent 18 months ago to 42 per cent of the total. Also, the number of Internet users with annual income over $80,000 dropped from 25 per cent to 18 per cent.

Males are more likely to search for prodnct information online, while females are more likely to make purchases. The most popular purchases made via the Internet were of computers and software.

CommerceNet noted a "startling increase" in Web users shopping on the Internet. The study found that 39 per cent of Web users had searched for product information online before making a purchase. However, only 15 per cent had actually purchased a product or service online. This disparity "demonstrates a lack of trust in the security of electronic payments", the researchers said.

CommerceNet was nonetheless encouraged. "The combination of increased general usage and growth of shopping as an activity, paints an extremely promising future for electronic commerce," said Ms Stacey Bressler, vice-president of marketing for CommerceNet.

AMERICAS NEWS DIGEST

New leadership for Burger King

Grand Metropolitan, the food and drinks group, yesterday underlined its determination to see out the burger battle with McDonald's by appointing new executives at Burger King, the US-based burger chain. Mr Dennis Malamatinas, 41, moves from the IDV drinks business to take over as BK's chief executive and Mr Paul Clayton, 38, will run BK's North American operations.

Analysts said the high-profile appointments and the split roles marked a "sea change" for Grand Metropolitan following speculation a year ago that the group would se the business. "Burger King has reached a critical stage i its development," one analyst said. "Grand Metropolitan either had to sell out or expand. They've clearly gone for the latter."

British-based Grand Metropolitan owns several international food and drinks brands, including Haagen-Dazs, Smirnoff, Malibu and Burger King. The ne executives arrive as BK is waging an all-out fight to challenge McDonald's leadership of the US burger mark

McDonalds recently launched a plan to cut the price o a Big Mac from $1.90 to 55 cents, a move widely seen by analysts as evidence that BK is making inroads into McDonald's market share. Almost all of Burger King's profits come from the US where it generates 80 per cent its sales. The outlets outside the US only break even.

Grand Metropolitan also said that Mr Peter Cawdron, group strategy development director, would resign from the company on July 31. Mr Cawdron, a former banker a SG Warburg, joined Grand Metropolitan in 1983. He will be replaced by Mr James Grover, 38, who will report directly to Mr John McGrath, group chief executive.

Michael Lindema

Gerber drops advertising claim

Gerber has promised to halt "deceptive" claims that fou out of five pediatricians recommend its baby food, the government announced on Wednesday. The Federal Tra Commission said that Gerber Products Co relied on a survey of 562 doctors that found only 67 – barely more than one in 10 – recommended Gerber baby food.

"Advertising that relies upon deceptive doctor recommendations for baby foods is especially troubling as much as accurate expert advice is critical to reachin these important decisions about child care," Ms Jodie Bernstein, director of the FTC Bureau of Consumer Protection, said in a statement.

Ms Bernstein said the advertising campaign, which r on television, radio and in print, "skewed the results of the study by weeding out doctors" who did not give the desired answers. The study found that of the 562 doctor surveyed, 408 recommended baby food at least once a week, 76 recommended a specific brand of baby food an 67 recommend Gerber brand.

Gerber advertised that four out of five doctors who recommended baby food recommend Gerber but in fact only 16 per cent – or 67 out of 408 – recommended Gert the FTC said. Beyond that, the FTC said the advertisements "made a broader implied claim that fou out of five pediatricians recommend Gerber".

Gerber, a division of Swiss pharmaceuticals and chemicals company Novartis, acknowledged problems with its advertisement. "We acknowledge the advertisement perhaps inaccurately confused the mess of the survey," said Mr Van Hindes, director of corpora affairs.

Reuter, Washing

Flows into US funds slow

US mutual funds investing in equities and bonds attracted net new cash (new sales minus redemptions) $21.5bn last month, according to estimates published yesterday by the Washington-based Investment Compa Institute. These figures are a sharp fall from the $32.5b recorded in January, a month when sales are usually h for tax reasons. However, they show that the industry continuing to attract funds at a rate roughly in line wi last year's record pace. They also suggest that predicti on Wall Street that sales would slow as small investors became nervous about the current high valuations in Wall Street had not been realised.

Equity funds took in a net $19.5bn during the month down from $29.1bn in January and $22.38bn in Februar 1996. Bond funds continued their recent relative recov following several months of net outflows last year, tak in an estimated $2bn.

John Authers, New Y

Time Warner sticks with NYS

Following the announcement on October 11 1996 concerning the acquisition by Time Warner of Turner Broadcasting System Inc, Time Warner has decided nc proceed with the listing of its common stock on the London Stock Exchange. Time Warner's common stoc continues to trade on the New York Stock Exchange.

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

PC groups to launch rival to Network Computer

By Louise Kehoe in San Francisco

Leading personal computer manufacturers including Compaq Computer, Dell Computer and Hewlett-Packard will introduce a new class of "Network PCs" in coming weeks, according to Intel, the leading supplier of microprocessor chips to the PC industry.

Intel and Microsoft, its partner in developing specifications for so-called "NetPCs", have begun to promote the products, which are designed for use on corporate networks. More than 100 PC companies have committed themselves to supporting NetPCs, Intel and Microsoft said.

The NetPC is the PC industry-leaders' answer to the challenge posed by the "Network Computer" (NC) initiative led by Mr Larry Ellison, chairman and chief executive of Oracle, the leading database software company.

NetPCs and NCs represent different approaches to lowering the total cost of ownership of a desktop computer linked to a corporate network. While the NetPC is a stripped-down PC with fewer options and peripherals than a standard PC, the NC is a bare-bones multimedia network terminal.

NCs will rely on more powerful network server compnters to store data and programs. Although many NCs are expected to be based on Intel microprocessor chips, they will not run the Microsoft Windows operating system and applications widely used on PCs.

Mr Ellison's efforts to promote the NC are seen as an attempt to undermine Microsoft's dominance in the software market. Oracle has encouraged manufacturers to produce NCs by establishing a standard specification for the machines and licensing technology and software.

However, the launch of NC prodncts has been delayed by several months, and the first NCs conforming to Oracle's specifications are now expected to be introduced in April. NCs are expected to sell for $500-$1,000.

While NCs have a price advantage, Intel and Microsoft appear to have gained the upper hand in persuading leading computer companies to produce NetPCs. Many buyers may also see the ability of NetPCs to run standard PC software as an advantage.

NetPCs will have a "sealed box" design, meaning they cannot be upgraded or changed, reducing the complexity and costs of managing networks with hundreds or even thousands of PCs.

YPF in gas pipeline negotiations

By Andrea Campbell in Buenos Aires

Petroleum producer YPF, Argentina's largest company, is negotiating with Chilean energy company Endesa and CMS Energy of the US to become a third partner in a $400m gas pipeline project linking northern Argentina and Chile.

According to Jose Yuraszeck, Endesa president, YPF is on the brink of taking a 20 per cent share in the Atacama gas pipeline, currently owned equally by Endesa and CMS Energy.

However, YPF is more cautious, saying negotiations are still "very green".

After two months of talks, the terms of the deal are still not "compatible with the company's strategy regarding its northern gas deposits," said Nells Leon, YPF president.

YPF operates a network in north-west Argentina that supplies gas to private clients and distribution companies.

If a deal is reached, YPF would provide gas for the 925km pipeline to be operated by CMS Energy. To complement the pipeline, Endesa will build two 600MW electricity plants, at an additional cost of $500m.

Bank of America agrees alliance

By Tracy Corrigan in New York

Bank of America and DE Shaw have announced a strategic relationship that will give the third-largest US bank access to the derivatives expertise of the private Wall Street concern.

As a result of the agreement, first reported in Monday's Financial Times, Bank of America's corporate clients will be offered an expanded range of equity-related products, including convertible honds, equity warrants, options and customised derivative instruments.

"Going forward, this new relationship positions us nicely to grow our equity-related product offerings, as the traditiooal roles of commercial and investment banke continue to converge," said Mr David Coulter, chief executive officer of Bank of America.

Bank of America entered the bond underwriting business three years ago, following a relaxatioo of underwriting rules which had barred commercial banks from securities underwriting. But its rivals, Chase and Citibank, are farther ahead in the battle to win capital markets business from the investment banks.

"It's a piece of the pie," said Ms Cris Larson, the senior vice-president of Bank of America responsible for managing the relationship. "We have been looking for a creative way to get into the equity-linked business."

Bank of America officials declined to comment on the precise structure of the deal, but said that as part of the agreement the bank is providing DE Shaw with some debt financing and will share earnings from the alliance.

Bank of America has not taken an equity stake in the company.

The bank has said in the past it would consider buying other companies to broaden its product line, and has been the subject of a spate of recent bid rumours, as the consolidation of the US financial services industry gathers pace.

DE Shaw is a private investment banking group founded in 1988 by Mr David Shaw, a former faculty member of the computer science department at Columbia University in New York.

"Bank of America's financial strength and global relationships should provide significant new market opportunities for a number of our current businesses," said Mr Shaw.

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IN BRIEF

Enterprise Oil profits up 40%

Enterprise Oil became the FTSE 100's best performer as it announced a 40 per cent increase in net profits and damped speculation that it was planning an imminent takeover. The group ruled out bids for British Borneo and Monument but indicated it would pounce if it found a suitable target. Page 23

Magna buys 75% stake in Georg Naher
Magna International, the Toronto-based car parts maker, has agreed to buy a 75 per cent stake in Georg Naher, a lossmaking German supplier of carpeting and insulation. Page 18

Kredietbank insists on independence
Kredietbank, Belgium's second biggest, quashed rumours that it was considering a merger with French bank Crédit Commercial de France, insisting it would remain independent. Page 20

AGF looks for non-life partner
AGF, the French insurer which was privatised last year, is considering an acquisition or partnership in non-life personal insurance. Page 20

Sports company sues former employees
ISL, the Lucerne-based sports marketing company that won the SFr2.8bn ($1.9bn) rights contract for the 2002 and 2006 World Cups in partnership with German media group Kirch, is taking legal action in the Swiss courts against three of its former executives. Page 21

Sharp improvement at Coles Myer
Coles Myer, Australia's biggest retailer, announced a sharp improvement in first-half earnings, with operating profits from its retail operations rising 20.9 per cent to A$397.2m (US$315.7m). Page 22

Japanese watchdog probes Daiwa
Daiwa Securities, one of Japan's Big Four brokerages, confirmed it was being inspected by the Securities and Exchange Surveillance Commission, Japan's securities watchdog. Page 22

Pasminco preparing for rights issue
Pasminco, the Australian group that is the world's biggest zinc producer, is so sure the long delayed Century project in Queensland will go ahead soon that it is preparing a rights issue. Page 26

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
[illegible]	176	+	9
Falls			
[illegible]	1445	-	15
[illegible]	720	-	10.5
[illegible]	541	-	8
[illegible]	465	-	12.5
Volkswagen	926	-	23.5
NEW YORK ($)			
Rises			
[illegible]	39¾	+	2¾
[illegible]	12¼	+	1¼
[illegible]	13¾	+	1
Falls			
[illegible]	35¾	-	2½
[illegible]	49¾	-	2
[illegible]	45	-	2
LONDON (Pence)			
Rises			
[illegible]	502½	+	67½
[illegible]	188½	+	16
[illegible]	205	+	87½
Falls			
[illegible]	640	-	24
[illegible]	592½	-	24
[illegible]	127½	-	12½
TORONTO (C$)			
Rises			
[illegible]	2.9	+	0.4
[illegible]	9.1	+	0.65
[illegible]	7.4	+	0.45
Falls			
[illegible]	17.2	-	1.3
[illegible]	72.5	-	6.1
[illegible]	9.75	-	0.75

PARIS (FFr)			
Rises			
Chargeurs	330	+	19.9
Guilbert	1125	+	70
Falls			
Air Liquide	912	-	15
Fonc Lyon	741	-	39
St Gobain	886	-	27
Worms Cie	959	-	10.4
TOKYO (Yen)			
Rises			
Nagase	769	+	14
Falls			
CSK	2900	-	110
Isuzu Motors	495	-	29
Konica	815	-	25
Mitsui Soko	638	-	34
Nippon Oil	473	-	27
HONG KONG (HK$)			
Rises			
Midland Rlty	8.0	+	0.35
Falls			
Cheung Kong	70.5	-	1.25
Hang Seng Bk	82.75	-	1.0
Henderson Lnd	64.5	-	1.75
Hutchsn Whmp	55.75	-	1.75
Sun Hung Kai	85.0	-	2.0
BANGKOK (Baht)			
Rises			
Far East	120.0	+	10.0
Thai Vegetble	44.75	+	3.75
Renown Co	94.5	+	8.5
Falls			
Phoenix Pulp	31.5	-	3.5
Sanyo Univrsl	84.0	-	6.0
Siam Tyre Co	494.0	-	54.0

New York and Toronto prices at 12.30pm.

Crédit Lyonnais plans stake sale

Troubled bank seeks bidders for Irish leasing business

By Andrew Jack in Paris and John Murray Brown in Dublin

Crédit Lyonnais, the tronbled French state-owned bank, yesterday put up for sale its stake in Woodchester, the Dnblin-based leasing business.

The move is one of the most important sell-offs triggered by a rescue plan for the bank approved by the European Commission in 1995.

Goldman Sachs and Chase Investment Bank were appointed joint advisers for what will be the largest ever acquisition in the Irish market, bigger than the I£286m of Irisb Distillers by Pernod Ricard in 1988.

Woodchester, which provides motor and office equipment leasing services, is inviting a full bid, which at yesterday's Dublin close of I£2.85 would value it at I£605m ($940m). Crédit Lyonnais acquired an initial 30 per cent stake in the business in 1990 as part of its rapid expansion plans under Mr Jean-Yves Haberer, *the former chairman*. The expansion led to buge losses.

However, under the terms of a restructuring plan negotiated with the French government, it agreed to sell more than one-third of its non-domestic, non-strategic operations by the eod of 1998.

The transaction is the second largest after tbe sale in 1995 of CLBN, Its Dutcb banking subsidiary, to Générals de Banque for FFr4bn ($697m).

It comes as the French government faces domestic and European criticism over a *second rescua plan for Crédit Lyonnais*.

The government is in talks with European Union officials in Brussels and is seeking approval for further state aid for the bank wbich could amount to FFr30bn.

While the government has played down the total value of ths rescue, Mr Patrick Devedjian, the bead of the National Assembly finance commission, estimated on Wednesday that the cost to the taxpayer for Crédit Lyonnais could ultimately reach FFr130bn.

Woodcbester yesterday *reported pre-tax profits up 22* per cent to I£44.3m, compared with I£36.4m in 1995. With the company reporting a stroog start to 1997, brokers adjusted forecasts to about I£50.5m. That would put the company on prospective 1997 earnings per share of 17.4p and a prospective price earnings ratio of 16.4.

UK bank Abbey National and GE Capital, General Electric of the US's leasing arm, emerged as possible bidders for Woodchester.

Crédit Lyonnais acquired its stake in Woodcbester as part of the restructuring of British & Commonwealth, the financial services company put into administration in 1990. The Frencb bank originally took over part of the B&C stake, building up through a series of placings to control 54 per cent.

Novartis investors gain $4bn as spin-off company makes successful Swiss debut

Ciba Specialty Chemicals shares increase by 5.9%

By William Hall in Zurich

Shareholders of Novartis, the recently formed Swiss pharmaceutical giant, have gained about SFr6bn ($4bn) from the spin-off of the gronp's Ciba Specialty Chemicals operation, which began trading on the Swiss stock market yesterday.

The shares of Ciba Specialty Chemicals, which had been priced at SFr110 in a global offering associated with the spin-off, started trading at SFr113 yesterday and closed 5.9 per cent higher at SFr116.5 in heavy volume.

The rise in the group's share price on a day that the Swiss Market Index dropped 66.3 points, or 1.42 per cent, was regarded by Ciba's advisers as confirmation of the success of one of tha world's biggest and most complex corporate spin-offs.

The SFr330m global offering, which underpinnad the spin-off, was more than 10 times subscribed and the issue price was struck at a premium of 72 per cent above a SFr64 rights issue floor price set last month.

Mr Rolf Meyer, the company's chairman, said that the success of the global offer had "clearly indicated strong international intarest" in the world's biggest specialty chemicals company.

The group's market value of SFr8.4bn, based on yesterday's closing share price, was higher than the group had expected, and makes Ciba Specialty Chemicals ooe of Switzerland's top 10 companies. Mr Meyer estimated that about 50 per cent of the group's shareholders were Swiss; 20 per cent were from the UK; and between 10 per cent and 15 per cent from the US.

Mr John Owen of UBS, one of Ciba's advisers, said that, contrary to some spin-offs, the deal had created real value for Novartis shareholders, who received one share in Ciba Specialty Chemicals for every Novartis share. After deducting a SFr10 per share nominal payment, Novartis shareholders now own a share worth SFr106.5.

Mr Owen estimated that after adjusting for a slight fall in tha Novartis share prica since its shares went ex-dividend on February 26, the net effect of tha transaction had been to create SFr6bn of extra valne for Novartis shareholders. He said that rights to 25.6m of the company's 72.1m shares had traded prior to yesterday's stock market debut.

Following yesterday's stock market debnt, the shares of Ciba Specialty Chemicals are trading at about 16 times prospective 1998 earnings, which is a premium to most of the competition. The group, with annual sales of SFr6.7bn, employs over 20,000 staff and has manufacturing sites in 29 countries.

Rolf Meyer: he said the success of the global offer had 'clearly indicated strong international interest' in the company
Picture: Brendan Corr

Interest rate raised on Russian D-Mark bonds

By Edward Luce in London

Tbe Russian government bowed to market scepticism yesterday by agreeing to pay a higber-than-expected interest rate premium to buyers of its debut D-Mark bond issue.

The seven-year eurobond, which was only tbe second international bond to be issued by Russia since the Bolshevik revolntion in 1917, was priced more generously than the markets bad anticipated.

At an annual coupon of 9 per cent – considerably above the 8.75 per cent which had been rumoured in the markets – the bond was priced to yield 200 basis points (a basis point is a bundredth of a percentage point) more than an equivalent seven-year issue by the Venezuelan government last month. This mirrors the deterioration in bond market sentiment over the past two weeks.

"We needed to hit the psychological number of 9 per cent to attract investors," said an official from Credit Suisse First Boston, which managed yesterday's deal with Deutsche Morgan Grenfell. "We decided it would be better to offer a more generous spread [risk premium] after talking extensively with investors."

The offering, which became the largest emerging market bond issued in D-Marks, was priced 3.7 percentage points higber than equivalent German government bonds. But in cootrast to Russia's debut US$1bn eurobond last year, syndicate officials were unable to sell the entire offering on the day of the launch.

Market traders said that worry over the possibility of a rise in US interest rates at the next meeting of the Federal Reserve on March 25 had damped investor demand. J.P. Morgan's emerging market bond index, which measures the average spread of emerging market debt on the secondary markets, has fallen from 390 basis points to 450 basis points in the last two weeks.

"Considering how unlucky the timing was for Russia, the issue actually went quite well," one syndicate manager in London said yesterday.

Russia plans to issue another US$2bn in aurobonds this year.

Capital markets, Page 24

Matsushita picks London as European headquarters

By Michiyo Nakamoto in Tokyo and Stefan Wagstyl in London

Matsnshita, the Japanese consumer electronics group, is due next month to establish a regional headquarters in London to integrata its 16 European salas and financial operations before European monetary union.

Matsushita, known for its National, Panasonic, Quasar and Technics brands, said the new holding company would help tha gronp's regional operations to respond quickly to the rapid changes expected in Europe in the near future. Europe accounts for 10 per cent of Matsushita's sales.

It did not say whether uncertainty over the UK's participation in Emn was a factor in the decision. In January, Mr Hiroshi Okuda, president of Toyota Motor, said the group would *not expand its investments in* the UK if the country stayed out of Emu. Toyota already has its European regional headquarters in Brussels.

Matsushita's new company, with 100 employees and capitalised at £153m, is due to begin operating on April 1. It will be responsible for promoting a pan-European strategy for sales, distribution, services, marketing and financing matters. It will not supervise the gronp's manufacturing in Europe. 1.

Large Japanese companies have chosen various centres in Europe for regional headquarters, with no apparent consideration of local political issues. The largest concentration may be in Düsseldorf wbere Nippon Steel, Kawasaki Heavy Industries, Hitachi and Sharpe have offices. Nissan Motor and Canon are based in Amsterdam, Sony in Cologne, Pioneer in Brussels and Toshiba, NEC and Oki Electric in the UK.

Matsushita believes it can raise efficiency and reduce costs in Europe by regional handling of issues such as prospective changes to consolidated taxation across national borders , improved flow of goods across borders arising from greater market integration and better fund-raising methods.

Transamerica to reorganise

By John Authers in New York

Transamerica, the San Francisco-based financial services company, is to sell its consumer finance operations in a move which will radically restructure the group.

The company said the sale, covering a total loan portfolio of about $3.6bn, a network of 420 branch offices spread across 44 states and other assets of about $100m, was motivated by an attempt to boost shareholder value. Most of the proceeds will be used to buy *back shares*.

Separately, Transamerica will also sell or liquidate $550m of loans, inclnding about $300m remaining from $1.1bn of assets which were segregated last year.

Mr Frank Herringer, chief executive, said: "We have had a strategy in place since the third quarter of 1996 to convert our consumer lending operations from a brancb-based system to a more centralised business model."

He said the company would carry out the strategy "by selling substantially all of the existing business and redeploying our capital while moving ahead with a plan to build a new, centralised real estate-secured lending business." The consumer finance operation would be "very attractive to a wide universe of potential buyers", he said.

Profits of Transamerica's consumer lending business fell sharply last year with operating incoms of $26.9m, against $92.5m in 1995. Last year saw special loss provisions of $72m, up from $12m in 1995. The company said that after these provisions had been made the portfolio of loans on offer was clean and should be attractive to potential buyers.

Goldman Sachs, the investment bank, has been retained to find a buyer. Transamerica hopes to complete the transaction by tha end of June. Apart from share buy-backs, the proceeds of the sale will also be used to pay down debt and to fund the new business. The company's other core businesses of life insurance and commercial lending, including leasing, will remain unaffected.

The move was well received on the stock market, where the company's shares gained $3¼ to $91⅞ in early trading. Ratings agencies were less impressed, with Moody's placing Transamerica on review for a possible downgrade.

Kredietbank kills merger talk

By Neil Buckley
in Brussels

Krediatbank, Belgium's second biggest, yesterday quashed rumours that it was considering a merger with Crédit Commercial de France, saying its strategy was to remain independent.

The bank also announced a 13.5 per cent increase in net profits, after minority interests, from BFr11.55bn to BFr13.11bn ($374m) – at the top end of expectations.

Mr Marcel Cockaerts, president, said Kredietbank's stand-alone strategy had not changed, although the bank would examine any merger or alliance opportunities.

The idea of a "Grande Banque Belge" capable of competing in a single-currency Europa has recently been rekindled, with rumours of a merger between two large Belgian banks or between a Belgian and a foreign bank.

Speculation that Kredietbank might deepen its relationship with CCF, in which it already holds a small stake, was fuelled by publication of a note by James Capel, the stockbroker. This compared the merits of a merger between Générale de Banque, Belgium'e biggest, and BBL, the number three, with one between Kredietbank and CCF.

Mr Cockaerts added that Kredietbank had nothing to fear from remaining independent in the face of a possible merger of its competitors. There were advantages, he said, in being "quick and lean".

The bank was streamlining its business processes to push costs down even further. The cost/income ratio fell from 61 per cent to 57.5 per cent in 1996 – low by international standards – and is projected to fall again this year.

Kredietbank was also reducing its reliance on its domestic retail network by expanding specialist activities, such as trade and project finance, as well as its international business.

Gross income increased 20 per cent from BFr65.3bn to BFr78.4bn, with interest income up almost 12 per cent. Other income, including profits and commission on foreign exchange and securities, rose almost 44 per cent.

Operating costs increased 13 per cent to BFr45.0bn. Provisions and write-downs climbed 34 per cent to BFr15.54bn, including BFr1bn to cover the costs of transition to a single European currency and adjusting computer programs to cope with the year 2000.

An interim dividend of BFr265 a share, up from BFr235, is to be paid.

Siemens Nixdorf warns Europe behind in IT

By Paul Taylor in Hanover

Europe is falling behind North America and Asia in its application of information technology, Mr Gerhard Schulmeyer, the chief executive of Siemens Nixdorf Informationeeysteme, warned yesterday.

Mr Schulmeyer is the most senior European IT executive to acknowledge a widening technology gap first highlighted by Mr Andy Grove, Intel chief executive, at the Davos World Economic Summit earlier this year.

Mr Schulmeyer, speaking at the CeBit IT fair in Hanover yesterday, said the relatively slow adoption of IT systems in Europe was, "a serious issne for Siemens Nixdorf and a serious issue for Europe". He warned that if IT spending continued to lag behind the US and the Asia-Pacific regioo in particular, "We may never catch up."

He highlighted figures from International Data Corporation, tbe market research organisation, which forecast that the IT market in Europe would grow only 7.5 per cent this year compared with growth rates of 13 per cent in North America and Asia.

He also said that in Europe as e whole IT spending per worker was considerably less than in the US and Japan. In Germany, be said, IT spending per worker is balf the ratio in the US, where IDC figures show about $2,000 a year is spent on IT for each employee. "If we keep going this way we can bury ourselves," he said.

Mr Schulmeyer blamed business managers for the failure to invest sufficiently in IT. In the US, be said, managers grow up using technology and are more willing to take quick decisions. In contrast, European executives hide behind elow and bureaucratic decision making.

The outspoken SNI chief executive also warned that labour laws in Germany and elsewhere in Europe slowed investment processes.

In spite of this and other factors such as the strong dollar, Mr Schulmeyer said Siemens Nixdorf was continuing to make progress, "in a market in which most of the other leading vendors reported their business had stagnated or declined".

Since the start of SNI's fiscal year in October, the group had landed orders worth DM6bn ($3.53bn), a 13 per cent increase over the same period last year. Within this figure be said German orders grew 11 per cent to DM3.5bn, while internatiooal orders grew 15 per cent.

Gerhard Schulmeyer: Europe 'may never catch up' in IT

Portugal Telecom seeks global partner

By Peter Wise in Lisbon

Portugal Telecom is to decide by April 15 on an international partnership that will involve selling a holding of up to 5 per cent of the group to a global telecommunications alliance. The company said it would sell a "symbolic" holding to Global One, Concert or Unisource.

"All are willing to acquire a small stake in our group to cement the alliance as something more than a mere distribution agreement," the company said.

The stake in Portugal Telecom may be acquired by reserving a tranche of a third global offering of the group, which is expected in September, the company said. The sale of 26 per cent of the total capital will reduce state ownership of the group to 25 per cent.

The group wants a partner that will make it more market-orientated in preparation for the complete liberalisation of Portugal's telecommunications market in 2000.

It wants an alliance that will help it maintain its volume of international telecommunications traffic as liberalisation increases competition.

The company also seeks an alliance that will complement and add value to its investments in Brazil, Africa and Asia.

Deutscbe Morgan Grenfell, N. M. Rothschild and Salomon Brothers are advising Portugal Telecom on the choice.

AGF looks for non-life partner

By Andrew Jack
in Paris

AGF, the French insurer which was privatised last year, is considering an acquisition or partnership in non-life personal insurance.

In an interview, Mr Antoine Jeancourt-Galignani, chairman, said such a move could come in response to the tougher competition in this sector as a result of the recent merger between rival French insurers Axa and UAP.

He hinted that AGF might be interested in the rival Athéna group and the troubled state-owned GAN insurance group, bnt stressed that "it is not GAN, Athéna or death". Other options, including the development of new distribntion channels, were possible.

He said AGF's sale this month of its controlling stake in SAFR, the French reinsurer – largely becanse it had decided to withdraw from reinsurance – had provided his gronp with "liquidity" which conld be used for an acquisition.

His comments came as AGF reported net profits up 42 per cent to FFr1.5bn ($261m) in 1996, and a dividend of FFr5 a share.

The insurer's return on eqnity of 6.8 per cent still leaves considerable room for improvement to meet its objective of a 10 per cent return by 1999.

However, Mr Jeancourt-Galignani said the ratio was already close to that level before accounting for a series of exceptional charges.

There has been epeculation recently that AGF is a target for takeover, which has pushed up the insurer's share price. But Mr Jeancourt-Galignani said there would be no "economic logic" to an acquisition at the current share price, and warned that an acquirer would face the prospect a hostile bid resisted by AGF's board.

EUROPEAN NEWS DIGEST

Outside chance of Fokker relaunch

Benelux business groups seeking to relaunch Fokker, the bankrupt aircraft maker, yesterday reached outline agreement with its receivers and the Dutch government allowing them to enter talks on a consortium bid with Khazanah Nasional, Malaysia's state investment vehicle. Khazanah has said it would be willing to become the largest single partner in such a deal.

Mr Hans Wijers, economy minister, told parliament the memorandum of understanding envisaged the state "participating through a substantial amount in the risk-bearing capital of the undertaking". He warned that a restart a year after Fokker's collapse "seems to be near the boundaries of what in practice is still possible".

Short Brothers of Northern Ireland, which produced the wings for Fokker's range of regional jets, is willing to sell its mothballed production line to the consortium, which includes a company controlled by Mr André Deleye, a Belgian who also heads Begemann, a Dutch industrial investment group. The other participant is Stork, the industrial group which last summer paid Fl 302.5m for Fokker's profitable parts and maintenance operations. Under the plan, the new Fokker Aircraft company would buy back Fokker Services, which accounted for about 40 per cent of Fokker Aviation's estimated Fl 600m annual revenues. *Gordon Cramb, Amsterdam*

Union Minière returns to black

Union Minière, the Belgian non-ferrous metals group, yesterday reported its first net annual profit since 1990. Profits for 1996 were BFr391m ($11.14m), compared witb a loss of BFr954m the previous year. However, current profits declined from BFr1.81bn to BFr1.60bn as the rise of the US dollar and improved commercial terms were offset by a decrease in metals prices and poorer performances from the group's diamond subsidiaries. Extraordinary costs fell from BFr2.20bn to BFr924m, as the company moved into a new three-year restructuring plan, including cutting the 1,800 workforce by 375. *Neil Buckley, Brussels*

Royale Belge in Axa talks

Royale Belge, Belgium's second-largest insurance group, refused to speculate yesterday oo whether it would merge with Axa Belgium, the sixth-largest, but said it hoped to clarify its future before the annual shareholders' meeting in May. Royale Belge bas long been the Benelux arm of France's UAP, which jointly controls it with Groupe Bruxelles Lambert, the Belgian bolding company.

But the merger last year of UAP with Axa has provoked intense interest in the possibility of a merger of UAP and Axa's interests in Belgium. Mr Jean-Pierre Gérard, Royale Belge managing director, yesterday echoed the comments of Axa Belgium chief Mr Patrick de Courcel last week, saying a working party was examining the possible eynergies between the two groups.

Royale Belge yesterday reported 1996 net profits up from BFr6.2bn to BFr11.3bn ($321m), including a BFr4.2bn exceptiooal gain from the sale of its stake io Tractebel to Société Générale de Belgique. *Neil Buckley and agencies*

Foreign activities lift Linde

Linde, the German industrial group, said net profits rose 10.4 per cent to DM396m ($233m) – or DM44.10 a share – last year, on a 6.2 per cent rise in turnover to DM8.8bn. The better-than-forecast earnings growth was attributable to foreign activities. *Sarah Althaus, Frankfurt*

A STRATEGIC BUSINESS COMBINATION

MARSH & McLENNAN COMPANIES

JOHNSON & HIGGINS

To Our Clients, Shareholders, Markets and Friends:

We are pleased to announce that Marsh & McLennan Companies, Inc. and Johnson & Higgins have agreed to join forces in a strategic business combination forming a company that will be preeminent in three businesses: risk and insurance services, consulting and investment management.

Marsh & McLennan and Johnson & Higgins have been among the world's leading insurance broking firms since the 19th century. Both of our companies are exceptionally well positioned globally, and we both are highly regarded for our excellent client service. Our operations complement each other in different areas of specialization and global presence. By combining, we will offer our clients enhanced depth and reach, our employees more opportunities for advancement, and our shareholders continued profitability and growth.

We are optimistic and enthusiastic about the future of the insurance broking business and our role in that business. Changes in the rapidly growing and increasingly competitive global marketplace have created new challenges and opportunities, requiring service firms with great reach, innovation, quality of service and financial strength. This strategic business combination responds to those requirements, combining two firms with compatible cultures, up-to-date technology, dedication to quality, global operations and talented professionals.

Excellent client service has always been the hallmark for both Marsh & McLennan and Johnson & Higgins. Our combination should position us to respond more effectively to the increasing and more complex risks and problems our clients encounter and to compete successfully with all the potential competitors in our market.

Looking to the future, our shareholders, clients and employees can anticipate Marsh & McLennan Companies' continued strategic growth and development as a worldwide professional services firm responding to the changing needs of our clients and of a competitive marketplace.

Sincerely,

AJC Smith

A.J.C. Smith
Chairman and Chief Executive Officer
Marsh & McLennan Companies

David A. Olsen

David A. Olsen
Chairman and Chief Executive Officer
Johnson & Higgins

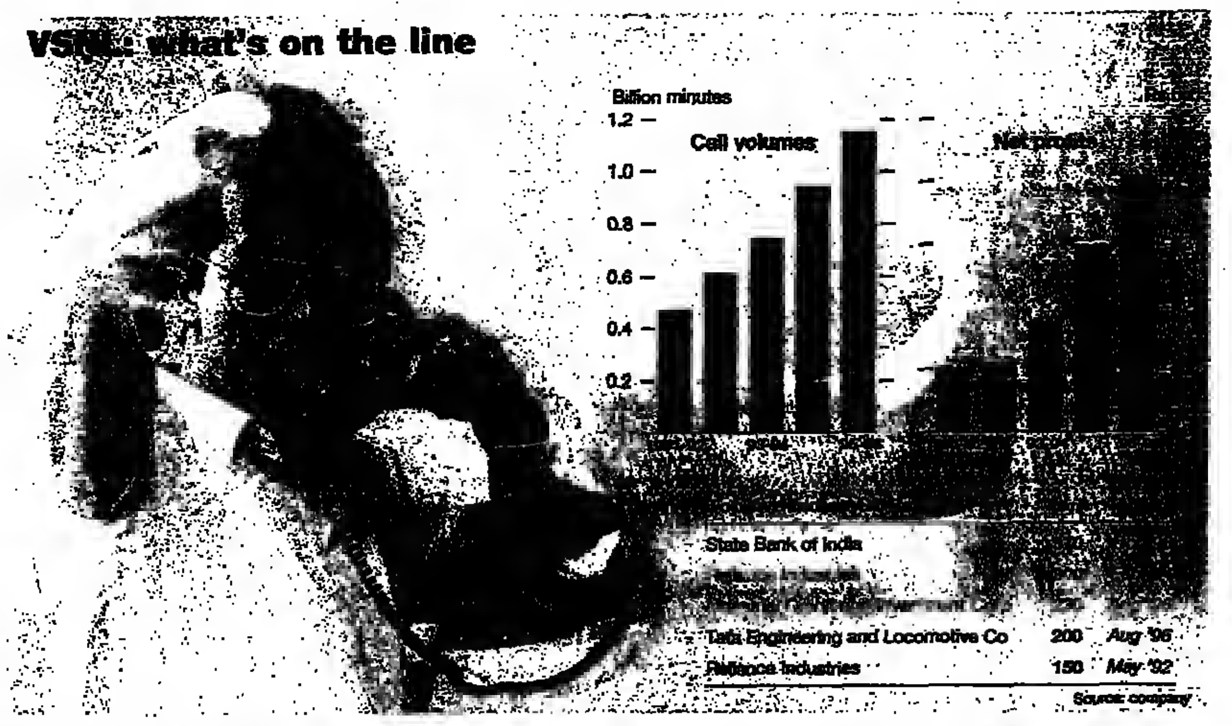
VSNL finally ready to tap market

Roadshows for the Indian telecommunications group's long-delayed GDR issue are under way

Roadsbows for the long-awaited Global Depositary Receipt offering by Videsh Sanchar Nigam (VSNL), India's sole provider of international telecommunications, have finally been launched, ending one of tha longest-running sagas in the Indian capital market.

For nearly three years, VSNL has sought to tap the international market with the country's largest GDR offering. The postponements and delays to the issue however, have been sncb that one broker suggested the state-controlled VSNL should be renamed "Very Sorry No Listing".

Finally, however, the issue has hit the market with 37.8m GDRs – representing 18.9m underlying domestic shares – offered to international investors, to raise about $500m to $540m.



The amount is modest compared with other impending issues from telecoms companies in the next few months, such as France Telecom ($10bn), Telstra of Australia ($6bn), Singapore Telecom ($3bn) and Tele Danmark ($2bn).

For India, though, the issue is one of the most significant since foreign investors were allowed to purchase Indian equities in the early 1990s, and not just because it far surpasses the country's previous largest GDR offering last October, in whicb State Bank of India raised $370m.

The government has set a target of raising Rs48bn ($1.34bn) from such issues in the year to March 1998, as part of its plans to reduce India's fiscal deficit from 5 per cent to 4.5 per cent.

To do this, it will have to pick up the pace of partial-privatisation issues. The VSNL offering is expected to be the only such issue this year, which means the government will fall far short of raising its target of Rs50bn through partial privatisations in 1996-97.

The VSNL issue will be the first test of the international appetite for Indian paper since Mr P. Chidambaram, the Indian finance minister, unveiled his budget at the end of last month.

Brokers say demand for the issue has been strong during the road shows, and that many international fund managers were "under weight" in their New Year allocations to the Indian market because they were waiting to assess the budget.

With the turnround in market sentiment since the budget – the BSE 30 Index, the country's most prominent equities indicator, has risen 8 per cent – fund managers are under pressure to increase their exposure to Indian equities, and the VSNL issne offers a blue-chip vehicle to do this.

Mr Manish Singhai, analyst with Caspian, the stock broker, says VSNL offers one of the "strongest investment stories" in India. He points out that it is one of the last international long-distance monopolies in the Asia-Pacific region, with an exclusive licence until 2004.

Following a revenue-sharing deal struck with the Indian government earlier this year, its margins are largely protected for the next five years, in spite of expected reductions in international call tariffs, which will affect other carriers, Mr Singhai says.

As such, an expected 20-25 per cent growth in call volumes over the next few years should be reflected in earnings growth for VSNL. This growth in call volumes is expected to follow the continued development of Indian telecoms. At December 1995, India only had 1.29 telephone lines for 100 people, compared with 62.27 in the US, 16.56 in Malaysia, 5.93 in Thailand, 3.35 in China, and 1.64 in Pakistan. The Department of Telecommunications forecasts a near-doubling of telephone lines over the next five years, from about 12m to 23m.

Call volumes are expected to be boosted by the reduction of international tariffs, and by increasing reliability in the Indian network, where only 34 per cent of incoming calls are connected. The growth of private operators providing domestic services should also swell volumes.

Mr Gul Teckcbandani, chief investment officer with Sun Foreign & Colonial Asset Management, says such factors are likely to see the VSNL issue fully subscribed, but mnch will depend on pricing: "It is a very good issue, but they will have to leave something on the plate for investors."

The official range sought by investment bankers during book-building is equivalent to Rs850-Rs950 for each underlying domestic share. Most brokers suggest, however, the issue is likely to be priced at between Rs950-Rs1,000.

This represents a discount to the current price of Rs1,075, although the stock has risen sbarply from around Rs925 since the budget. However, bankers say the issue is likely to be priced within a tight range to ensure a track record for future issues.

At Rs950-Rs1,000 an underlying sbare, brokers say VSNL would be rated on a price-earnings multiple below Asian telecom peers. They add that most other GDRs from "quality" Indian companies are trading at large premiums to their underlying domestic price, ranging up to 50 per cent, because of settlement risk.

The iseue, which will reduce the government's stake in VSNL from 82 per cent to about 65 per cent, is expected to be priced on March 24. The following day, the small legion of bankers who have worked on the issue for the last three years are likely to breathe a sigh of relief.

Tony Tassell

Coles Myer climbs 40.7% at six months

By Nikki Tait in Sydney

Coles Myer, Australia's biggest retailer, yesterday announced a sharp improvement in first-half earnings, with operating profits from its retail operations alone increasing 20.9 per cent to A$397.2m (US$315.7m).

After-tax profits for the group rose 40.7 per cent to A$273.6m in the six months to end-January, boosted by a A$44.6m gain on property-related disposals. A year ago, there was a A$8.5m abnormal gain.

Mr Dennis Eck, tbe group's new chief executive, said a better performance by the group's Kmart general merchandise chain had been "particularly encouraging", while increased earnings from tbe troubled Myer Grace Bros department store chain represented "the first steps towards recovery – but the road is a long one".

He said tbe group was looking for "similar percentage growth in second-half profits after tax, subject to market conditions". The group's supermarkets and liquor stores were expected to ebow "steady and sustained improvement", as were Kmart, the loss-making World 4 Kids chain, and Fosseys.

However, Mr Eck warned: "Unless there is a recovery in the apparel market, we are cautious about Katies, Myer Graca Bros, and Target."

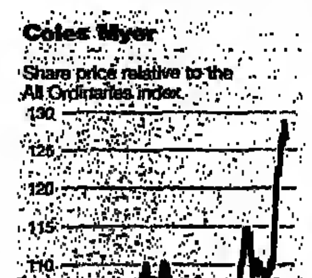
The result is the biggest improvement by Coles for many years. From 1989 to 1995, profits and earnings per share made little headway. In 1995-96 net profits slumped from A$423.4m to A$280.4m, while retail profits were down 14.8 per cent, at A$538.6m before interest.

This caused unrest among investors, and the of several senior executives left the group during this period. Concern over corporate governance standards also prompted changes in the group's board.

But yesterday Coles' shares – which have climbed strongly recently – added a further two cents to A$5.93.

The latest results were scored on sales of A$9.95bn, up by 5.4 per cent on the first half of 1996. The food and liquor division, which has shown the most consistent growth in recent years, lifted operating profits by 12.8 per cent, to A$167.1m.

On the general merchandise side, profits were 83.1 per cent higher at A$47.6m, with Kmart posting a 31.8 per cent improvement and World 4 Kids' losses shrinking from A$20.1m to A$12.5m.



In the clothes division, operating profits were up 11.4 per cent at A$99.4m, with Target reporting a 15.1 per cent improvement. Fosseys remained in the red, while Myer Grace Bros made A$83.1m, against A$65.1m.

Profits from property were down from A$41.3m to A$30m, leaving total profits before interest and tax at A$415.8m, against A$350.9m.

The dividend is held at 12 cents a share.

SESC probe into Daiwa

By Jonathan Annells in Tokyo

Daiwa Securities, one of Japan's Big Four brokerages, confirmed yesterday it was being inspected by the Securities and Exchange Surveillance Commission, Japan's securities industry watchdog, but said the checks were "routine".

Daiwa's shares plunged 7 per cent, or Y66, to Y880 at one stage amid concern over the cause of the inspection and unfounded speculation that the company was to give a press conference related to the investigation. The shares closed down Y46 on the day, at Y900.

Last week, Nomura Securitias, Daiwa's rival, said that two managing directors had made "apparently irregular" payments to a property company with links to a *sokaiya* racketeer.

Sokaiya demand pay-offs for not disrupting shareholder meetings.

The securities watchdog is close to completing its investigation of Nomura, which began last September.

Mr Hiroshi Mitsuzuka, the finance minister, warned that his ministry would impose harsh penalties on Japan's largest broker if the commission found it had been aware of the two executives' deals but had chosen to ignore them.

Such a conclusion would be likely to result in criminal charges against the company.

The SESC does not comment on individual cases, but a spokesman said it carried out both regular and random checks to monitor the market for unfair practises.

Shareholdings reshaped at Shanghai Vacuum

By James Harding in Shanghai

Shanghai Vscuum and Electron, the first company to list on Shanghai's foreign investor stock market, yesterday announced a reorganisation of its shareholders in an attempt to breathe life into the ailing company.

The company said all tha company's state-owned shares – 45 per cent of Shanghai Vacuum'e ontstanding shares – had been transferred from Shanghai Electric Meters to Shanghai Video and Audio Electric.

The transfer is intended to revive Shanghai Vacuum – a television display-tube manufacturer whose interim profits last year slumped by 95 per cent to Yn3.71m ($447,000) – by tying it to Shanghai Video, a leading buyer of TV display tubes.

"The transfer of Shanghai Vacuum's shares to the group will promote the co-operation of the two companies in producing televisions as well as their display tubes," according to Shanghai Securities News.

The reorganisation is in line with the municipal government'a unofficial policy of saving companies from bankruptcy by forcing profitable companies to take on responsibility for potential failures.

One Shanghai analyst said the reorganisation was "a life-saving tie-up for Shanghai Vacuum, because Shanghai Video will now source their TV tubes from them."

The announcement has disappointed some foreign investors in Shanghai, who argue that a high-profile bankruptcy would stiffen the resolve of Chinese management to improve earnings performance.

"China would never let its first B-share listing go to the wall, but it should. It would send a strong message to Chinese managers that bad companies will not be tolerated," one western analyst said yesterday.

Rumours of the shareholder reorganisation sent Shanghai Vacnum shares soaring to the 10 per cent trading limit on Wednesday, as local buyers speculated that the restructuring would reinvigorate the floundering business. Shares were euspended yesterday after the company statement.

Shanghai authorities also announced a related reallocation of shares, which will inject Shanghai Video stock into Shanghai Automobile Industrial Corporation, Shanghai Broadcasting, Film and Television Development Corporation and Shanghai Industrial, a subsidiary of the city government listed in Hong Kong. Shanghai Electric Meters holding of Shanghai Video was diluted.

The three beneficiaries are some of Shanghai's flagship companies, but no details or prices were givan for the stock reallocation.

ASIA-PACIFIC NEWS DIGEST

DDI revises forecasts upwards

DDI, Japan's second largest long-distance telecommunications carrier, has revised upwards its recurring profit forecasts as a result of a cut in charges for access to NTT's local line network. The company is now projecting parent recurring profits of Y67.5bn ($550m) for the year to March 31, compared with a previous estimate of Y60bn. Profit after tax is expected to reach Y36.5bn, up from Y34bn. It will pay an annual dividend of Y1,790, raised from Y1,380 in the previous year.

The improvement in the company's profitability derives from the reduction of about 12 per cent in the access charges levied by NTT, which controls 99 per cent of the domestic market. However, DDI said revenne had dropped because of lower call charges, and sales would now be Y548bn rather than Y555bn as forecast. DDI reported a pre-tax profit of Y57.7bn in the year to March 1996 on sales of Y470bn.

At group level, which incorporates DDI's nine Personal Handy Phone subsidiaries, and its regional cellular phone companies, the benefits of cuts in access charges was even more marked. The company revised npwards its group recurring profit sevenfold to Y22bn from Y3bn and cut its projected net loss from Y35bn to Y26bn.

Mr Tod Wood, analyst at ING Barings, said the new forecast was a little bit better than expected. He said revenues had been increasing for the PHS and cellular phone subsidiaries, but so had the costs incurred in generating them, mainly as a result of commissions paid to retailers. *Jonathan Annells, Tokyo*

Telstra lead managers chosen

Australia's federal government announced yesterday it was appointing a mixture of Australian, European and US investment banking groups to manage the proposed flotation of a third of Telstra, the country's biggest telecommunications group. The global co-ordinators will be CS First Boston, with responsibility for the Americas; ABN-Amro Rothschild of the Netherlands, wbich will handle Europe; and J.B. Were, the Australian stockbroking firm. They will be supported by four joint lead managers: Deutsche Morgan Grenfell (Europe), Goldman Sachs/Macquarie Bank (Americas), Ord Minnett (Australia) and Japan's Daiwa (rest of tbe world).

The Telstra sale will be the largest privatisation yet in Australia: 29 firms submitted proposals for the lead roles. The sale is expected to raise at least A$8bn (US$6.4bn) for the government, the sole owner. Yesterday, Mr John Fahey, finance minister, said: "Through the assistance of these people, I want to get Telstra ready for the market this year." *Nikki Tait, Sydney*

WMC to sell Kupe stake

WMC, the Australian resources group, bas agreed to sell its 40 per cent stake in the Kupe energy joint venture, off New Zealand's North Island, to Auckland-based Fletcher Challenge Energy, for A$34m (US$27m). The deal is the final element in WMC's plan to sell most of its oil and gas assets. It has already agreed to sell its US interests for US$270.5m, and its Australian assets for at least A$183m. *Nikki Tait*

Mt Leyshon Gold shares leap

Shares in Mt Leysbon Gold Mines, in which Normandy has a 75.6 per cent stake, jumped 23 cents to A$2.35 yesterday, after St Barbara Mines, another goldminer, bid for all the shares on Wednesday. St Barbara has said the deal would create a "significant" gold company, with annual gold production of around 350,000 ounces, and that preliminary discussions have indicated that Mt Leyshon would be "receptive" to an offer. *Nikki Tait*

Manila utility rises 15%

Manila Electric Company (Meralco), the Philippines' largest distribution utility, lifted net profits 15 per cent to 5.06bn pesos ($192m) in 1996 on improved sales coming from the country's solid economic growth. After a favourable year with no large typhoons, the company benefited from higher residential demand and lifted total sales 12.2 per cent to 17.8bn kWh. Meralco B shares, which foreigners are allowed to trade, closed down 1 peso to 196 pesos yesterday.

Capital expenditure rose 26.7 per cent as the group installed sub-transmission lines and power sub-stations to reduce waste. The re-engineering belped inefficiencies fall from 13 per cent of total supply to 12.1 per cent. Operating revenues jumped 21.6 per cent to 57bn pesos. Earnings per share improved 20 per cent from 7.71 pesos to 9.24 pesos. *Justin Marozzi, Manila*

Pioneer Electronic warns

Pioneer Electronic, a specialist manufacturer of audio-visual products, will cut its annual dividend to half the level it paid out last year on the expectation that it will make a loss this year for the second year. It said it would pay an annual dividend of Y5 a share.

It forecasts a net loss for the parent company of Y11.6bn and a pre-tax loss of Y6.6bn for the year to March.

Pioneer expected sales of laser disc players to fall as customers switch to digital video discs, which are capable of storing more video on a smaller disc than LDs. Sales of commercial karaoke machines were hurt by the spread of on-line systems in the Japanese market. The company has launched a DVD player in Japan which can also play laser discs, and is aiming to return to the black next year. *Michiyo Nakamoto, Tokyo*

Village Roadshow buy-out plan

Village Roadshow, the Australian cinema and entertaiment group, yesterday announced it was making four share placements to raise A$119m (US$94.6m) and that intended to bid for the 47.2 per cent of Austereo, the listed Australian radio operator, that it does not already own. The bid is A$2.85 a share and will cost Village around A$200m. Austereo owns radio stations across the eastern seaboard and also has a station in Perth. It launched a pay-TV music channel last year. Village will raise the funds by making an underwritten issue of 13m shares at A$4.55 each to institutional investors, which will bring in A$59m. The remaining 13.2m shares will be placed with its existing big shareholders – MAI Danmark APS, Capital Group and Village Roadshow Corp – at the same price. The underwritten issue is subject to Village's securing at least 90 per cent of Austereo. *Nikki Tait*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Hongkong Electric flat at HK$4.15bn

By Louise Lucas in Hong Kong

Hongkong Electric, the mooopoly electricity snpplier in Hong Kong island, yesterday reported flat profits of HK$4.15bn (US$536m) for last year, in line with expectations.

The 0.77 per cent decline reflected a reduction in earnings from property development following the completion of a residential development in which the company's property associate was involved.

Warm weather in the second balf, encouraging the use of air conditioners, stimulated demand. For the year as a whole, the company recored e new maximum-demand record of 2,118MW, while unit sales increased 5.9 per cent on the previous year.

Following a recent dispute with China Light and Power – which supplies electricity to the Kowloon peninsula and New Territories – and a share ownership restructuring at both companies, Hongkong Electric yesterday underlined its position as a "responsible investor" and accurate forecaster of demand.

CLP, whose own forecasts were shattered by the migration of factories across the border into China, now has excess capacity of 50 per cent, and had suggested selling the surplus to Hongkong Electric – a proposal ruled ont by the Hong Kong government earlier this week.

Hongkong Electric noted: "Hong Kong's environment, which allows responsible companies to operate effectively, must be preserved. Business operators sbould conduct their business in a disciplined and responsible manner. Any deviation from this behaviour will be detrimental to our society."

Earnings per share at Hongkong Electric dipped from HK$2.07 in 1995 to HK$2.06. A final dividend of 77.5 cents is being recommended, giving a total payout for 1996 of HK$1.23, 10.8 per cent higher than the previous year.

Endesa plans Pta400bn expansion

By Tom Burns in Madrid

Endesa, Spain's dominant power group – which is to undergo further privatisation later this year – will invest Pta400bn ($2.77bn) over the next five years to diversify its business and build up its international division.

The main thrust is likely to be at home, where the group has entered the water management sactor and taken equity stakes in second operators in the telecommunications industry.

International expansion will be focused on Latin America, where Endesa has already invested strongly in the power business.

The new details show Endesa is stepping up a strategy it launched two years ago to prepare for slowing growth in the domestic power sector, where it accounts for 47.3 per cent of electricity generation.

The decision to step up the strategy is aimed at creating investor interest in the group, which is 66 per cent state-owned, before further privatisation.

The group reported record net profits last year of Pta165bn – up 10 per cent up on the 1995 figure – generating group cash flow of Pta440.4bn, up 44 per cent.

The government plans to sell a stake of between 15 per cent and 25 per cent in Endesa in a global offering provisionally scheduled for October. It wants to privatise the group fully by 1999.

The utility said it had already accumulated foreign investments worth Pta88.3bn and diversification investments worth Pta99.1bn.

Endesa's immediate investment project is the construction of a 1,500km power lina stretching through Central America from Guatemala to Panama. The electricity link between national grids in the area has a $300m budget, which will be part-funded by the Interamerican Development Bank and will be completed by 2000.

The Spanish group last year hought controlling stakes in Edenor, the main electricity distributor in greater Buenos Aires, and also in a Peruvian company that is expanding a gas-fired generator near Lima. However, it temporarily abandoned a $1bn bid for control of Endesa (Chile), the country's main electricity supplier.

The aggressive diversification and foreign growth strategy follows the introduction of a new electricity protocol in Spain at the end of last year that sets new tariff guidelines and ushers in the deregulation of the domestic power sector. Endesa spent $1.5bn to acquire majority control of regional power groups Sevillana and Fecsa before the protocol.

OTE float aims to raise Dr300bn

By Karin Hope in Athens

Greece is looking to raise about Dr300bn ($1.12bn) by floating a second tranche of OTE, the state-controlled telecommunications monopoly, on the Athens stock exchange at the end of May.

The economy ministry said yesterday that "about 12 per cent of the company" would be sold through a secondary share offering, to be followed immediately by a rights issue.

Details have still to be worked out, but the government has agreed that OTE would receive about 60 per cent of the proceeda. The remainder would be used to write down public debt.

OTE said a rights issue was needed to fund an accelerated investment programme to complete digitalisation of Greece's fixed-wire network by 2001. The government is expected to accede soon to pressure from the European Commission to liberalise fixed-wire telephony by 2000 or 2001. The exact timing of OTE's issue will depend on the date set for the France Telecom flotation.

Two Greek investment banks, ETEVA and Alpha Finance, which advised the government on a partial flotation of OTE last year, have already been unofficially reappointed. National Bank of Greece is to be global co-ordinator for the offering, and an international investment bank is likely to be named joint co-ordinator by the end of March.

To avoid overwhelming the small Athens market, more than half the offering is to be sold to institutional investors abroad, mainly in the US.

OTE has estimated pre-tax profits for 1996 at Dr240bn, up 17.8 per cent.

Legal row looms over World Cup football contracts

By Jimmy Burns

The marketing of World Cup football is set to become embroiled in a legal battle involving one of the leading sports marketing companies and three of its former employees.

ISL, the Lucerne-based marketing company which won the SFr2.8bn ($365m) TV rights contract for the 2002 and 2006 World Cups in partnership with Kirch, the German media group, is taking action in the Swiss courts against three former executives, who resigned from ISL last year.

Lawyers acting for ISL claim that the three – Mr Tom Hipkins, Mr Dominik Schmid, and Mr John Kristick – breached "non-compete" clauses in their contracts by quitting and helping set up a new sports marketing company.

The new company, Prisma Sports and Media, has its headquarters in Zug, Switzerland, and offices in London. Its senior management includes two other former ISL senior executives, Mr Peter Sprogis and Mr Stephen Dixon, who have not been named in the legal action.

Mr Sprogis, joint managing director of Prisma, last December indicated his determination to play an aggressive role in the increasingly competitive sports bnsiness environment.

Prisma said last night it would contest the action. "We believa that the case against three individnals who work for our company is without foundation," Mr Hipkins, Prisma managing director, said.

According to sports industry officials, ISL will have to prove that the three former employees breached professional secrecy. The defendants are likely to argue that the action amounts to a restraint of trade.

ISL's action comes as Fifa, the governing body for world football, is preparing to invite fresh bids for the marketing rights for the 2002 and 2006 World Cups.

ISL has a 12-year marketing contract with Fifa, which expires after next year's World Cup in France. Fifa has yet to agree a marketing structure for the 2002 and 2006 World Cups, but is expected to invite hids at the end of May.

Although ISL has been in discussions with Fifa in recent weeks, Fifa indicated that future contracts would be tha snbject of intense competition in coming months.

"The field is completely open," it said last night.

Veba attacks Bonn over telecoms

By Ralph Atkins in Hanover

Ulrich Hartmann: public anger over failures to decide on vital aspects of liberalisation

Mr Ulrich Hartmann, chairman of Veba, the powerful German iodustrial group, yesterday launched a fierce attack on the federal government in Bonn for failing to decide vital details of the liberalisation of the country's public telephone market due next January.

He described as "nnacceptahle" the fact that there was still no sign of decisions on the management, organisation and staffing of tha proposed new regulatory authority. Without action to ensure the sector was properly policed, the new competitors lining up against Deutsche Telekom – Europe's largest telecommunications group – would hava to revise plans. Jobs already created and in the pipeline "would be severely endangered", he said.

Mr Hartmann was speaking as o.tel.o – the telecommunications joint venture between Vaba and RWE, another German industrial group – announced plans to invest DM7bn ($4.1bn) in coming years to build a rival telecoms husiness.

The new venture is aiming for revenues of DM7bn-DM9bn by 2005 – excluding its stake in E-Plus, the German mobile telephone system – and to create 10,000 jobs, including E-Plus. Break even is expected by 2002.

However, Mr Hartmann expressed fears that negotiations with Deutsche Telekom over fees for "interconnecting" telephone networks would fail. "Deutsche Telekom is still fully capitalising on its monopolistic position ... The state of negotiations shows that Deutsche Telekom's mentality continues to be characterised by the fact that it is still 75 per cent government-owned."

Mr Hartmann's unusually public warning at the Cebit telecoms and computer fair in Hanover followed a threat by Mannesmann, another German industrial group looking to build its telecoms activities, to take the interconnection issue to Brussels if necessary. Yesterday, Mr Hans-Peter Kohlbammer, deputy chairman of Thyssen Telecom – part of the Thyssen industrial conglomerate – said dashed hopes about prospects for liberalisation had caused it to rethink its telecoms strategy.

Deutsche Telekom says it is working hard to agree interconnection arrangements. However, its competitors cannot expect deals which, lo effect, subsidise their activities.

● The federal ministry of post and telecommunications in Bonn last night signalled the new head of the regulatory authority – tipped to be Mr Arne Börnsen, an opposition Social Democratic party MP – would he decided thts month.

LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED

(Registration number 57/02788/06)
(Incorporated in the Republic of South Africa)

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 1996

A. Summarised Group income statement

	Note	1996 UK£m*	1996 Rm	1995 Rm	% Change
Income					
Net premium income and annuity considerations		975,6	7 746,4	6 492,7	
Net income from investments		566,3	4 496,7	3 322,7	
Investment surpluses for the year attributable to life funds		119,7	950,4	4 094,3	
		1 661,6	13 193,5	13 909,7	
Outgo					
Claims and policyholders' benefits paid		691,0	5 486,8	4 375,5	
Commissions		83,4	662,9	601,7	
Management expenses		65,9	523,2	453,9	
Taxation		33,5	265,7	390,7	
Transfers to life funds to provide for policyholders' benefits		594,0	4 716,1	6 883,8	
		1 467,8	11 654,7	12 705,6	
Net taxed operating surplus attributable to shareholders of Liberty Life	1	193,8	1 538,8	1 204,1	+27,8
Number of ordinary shares in issue (000's)		250 111	250 111	244 018	
Number of ordinary shares on which net taxed operating surplus per share is based (000's)		247 392	247 392	241 605	
		Pence	Cents	Cents	
Net taxed operating surplus per ordinary share	1	78,3	622,0	498,4	+24,8
Dividends per ordinary share, cash equivalent					
– Interim (paid 9 October 1996)		17,6	140,0	116,0	+20,7
– Final (payable 4 April 1997)		22,7	180,0	140,0	+28,6
Total dividends		40,3	320,0	256,0	+25,0

*Converted at the rate of exchange at 31 December 1996: UK£1 = R7,94

B. Summarised Group balance sheet

	Note	1996 UK£m*	1996 Rm	1995 Rm
Share capital and share premium		354,2	2 812,3	2 176,1
Investment revaluation and other reserves		1 191,3	9 459,3	8 121,4
Retained surplus		333,5	2 647,6	2 269,7
Interests of shareholders of Liberty Life		1 879,0	14 919,2	12 567,2
Interests of minority shareholders in subsidiaries		1 347,3	10 697,5	7 293,4
Total shareholders' capital and reserves employed		3 226,3	25 616,7	19 860,6
Bonds convertible into Group equity capital	3	324,8	2 578,8	1 916,5
Total capital resources		3 551,1	28 195,5	21 777,1
Other long-term liabilities		510,8	4 055,4	3 877,6
Life funds		5 814,7	46 168,9	41 565,9
– Actuarial liabilities under unmatured policies		5 376,0	42 685,7	38 161,9
– Contingency and other reserves		438,7	3 483,2	3 404,0
		9 876,6	78 419,8	67 220,6
Represented by:				
Investments		9 400,9	74 643,5	63 540,5
Government, municipal and utility stocks		1 587,2	12 602,4	13 026,7
Debentures, mortgages and loans		134,3	1 066,3	1 039,8
Properties		2 908,0	23 089,3	15 579,0
Shares, mutual fund units and interests in associated companies		4 609,9	36 602,9	33 572,9
Deposits and money market securities		161,5	1 282,6	322,1
Fixed assets		23,9	189,3	159,3
Cash resources		574,8	4 564,2	4 002,2
Other current assets		389,2	3 090,3	2 144,9
Total assets		10 388,8	82 487,3	69 846,9
Current liabilities		512,2	4 067,5	2 626,3
		9 876,6	78 419,8	67 220,6

*Converted at the rate of exchange at 31 December 1996: UK£1= R7,94

C. Statement of total consolidated surplus attributable to shareholders of Liberty Life Association of Africa Limited for the year ended 31 December 1996

	1996 UK£m*	1996 Rm	1995 Rm
Net taxed operating surplus for the year per income statement	193,8	1 538,8	1 204,1
Surpluses on shareholders' investments reflected in "investment revaluation and other reserves"	122,7	974,3	2 372,7
Total consolidated surplus attributable to shareholders of Liberty Life for the year	316,5	2 513,1	3 576,8

D. Total shareholders' capital and reserves employed at 31 December 1996

	1996 UK£m*	1996 Rm	1995 Rm
Interests of shareholders of Liberty Life at 1 January	1 582,8	12 567,2	7 908,1
Total consolidated surplus attributable to shareholders for the year	316,5	2 513,1	3 576,8
Dividends for the year (cash equivalent)	(100,4)	(797,3)	(622,6)
Release of prior years' surplus from life fund reserves resulting from change in actuarial valuation basis	—	—	1 249,6
Subscription for shares in respect of conversion of convertible bonds, capitalisation share awards and staff share incentive schemes	80,1	636,2	455,3
Interests of shareholders of Liberty Life at 31 December	1 879,0	14 919,2	12 567,2
Interests of minority shareholders in subsidiaries	1 347,3	10 697,5	7 293,4
Total shareholders' capital and reserves employed at 31 December	3 226,3	25 616,7	19 860,6

*Converted at the rate of exchange at 31 December 1996: UK£1 = R7,94

E. Notes

1. **Net taxed operating surplus attributable to shareholders of Liberty Life**

   Net taxed operating surplus attributable to shareholders of Liberty Life and net taxed operating surplus per ordinary share are based on the underlying net taxed surplus which includes equity accounted earnings of associated companies attributable to shareholders.

   In view of the nature of Liberty Life's operations and in accordance with the stated accounting policies, capital items attributable to shareholders are taken directly to investment revaluation and other reserves.

2. **Record new business of South African life insurance operations**

   Total new business written by The Liberty Life Group during the year ended 31 December 1996 amounted to a record R4,72 billion, representing an 18% increase over the R4,00 billion recorded for 1995.

   New annualised recurring premium income written for 1996 was a record R1,09 billion compared to 1995's performance of R1,02 billion. Single premiums totalled R3,63 billion (1995: R2,98 billion) excluding automatic loans from inception on wealth creator policies.

3. **Bonds convertible into Group equity capital**

   Convertible bonds comprise the funds raised in 1994 and 1996 pursuant to the capital raising transactions undertaken by Liblife International BV, a wholly-owned subsidiary of Liberty Life, Liberty International Holdings PLC and Capital Shopping Centres PLC. During the year ended 31 December 1996, convertible bonds issued by Liblife International totalling $28,7 million were converted into 1 243 644 ordinary shares in Liberty Life at a total issue price of R105,4 million. In addition, convertible bonds issued by Liberty International Holdings totalling £15,4 million were redeemed and cancelled during the year.

   The balance of the convertible bonds unless repurchased and cancelled are expected ultimately to be converted into ordinary shares of Liberty Life, Liberty International Holdings and Capital Shopping Centres respectively, thereby increasing the total shareholders' capital and reserves of the Liberty Life Group which include minority shareholders' interests relating to the Liberty International Group.

4. **Group Chairman's Statement**

   Further details of the activities of the Liberty Life Group are contained in The Liberty Life Group Chairman's statement for 1996 which is being issued simultaneously with this announcement.

5. **Capitalisation share award and right of election to receive a final cash dividend of 180 cents per share**

   As previously announced in February 1997, the directors have awarded capitalisation shares to ordinary shareholders of Liberty Life who were registered in the books of the company at the close of business on Friday, 28 February 1997. Shareholders are entitled, and will be given the opportunity, to decline the award of capitalisation shares in respect of all or any part of their shareholding and instead may elect to receive a final cash dividend in respect of the year ended 31 December 1996 of 180 cents per ordinary share.

   The number of capitalisation shares to which shareholders are entitled will be determined by the ratio that 180 cents multiplied by 1,06 bears to the closing price of the company's ordinary shares on the Johannesburg Stock Exchange at the close of business on Wednesday, 26 March 1997 averaged with the closing prices on the four business days prior to that date ("the averaged closing price"). Accordingly, shareholders who are in receipt of capitalisation shares will, based on the averaged closing price, enjoy an advantage of approximately 6% over the cash dividend.

   Documentation dealing with the capitalisation share award and a final cash dividend election was posted to shareholders on Thursday, 6 March 1997. In order to be valid, completed election forms will need to be received by the company's transfer secretaries, by no later than Thursday, 27 March 1997. Should such election not be received or timeously received, Liberty Life will automatically issue capitalisation shares to all relevant shareholders.

On behalf of the board

D Gordon
Chairman

A Romanis
Managing Director

South African transfer secretaries
Mercantile Registrars Limited
5th Floor
94 President Street
Mercantile Building
Johannesburg, 2001
PO Box 1053
Johannesburg, 2000

United Kingdom transfer secretaries
Independent Registrars Group
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Johannesburg
13 March 1997

Euro-ecu offering from French bank

INTERNATIONAL BONDS

By Conner Middelmann, Edward Luce and Samer Iskandar

Emerging market issues and a euro-ecu transaction dominated the market yesterday in trading otherwise overshadowed by Russia's debut D-Mark issue.

France's Compagnie Bancaire launched a euro-ecu transaction – bonds denominated in euros but which will be serviced in ecus until European Monetary Union is implemented.

The ecu sector recently suffered from jitters over the likely timing of Emu and the related sell-off in the higher-yielding European markets. This weakness also hit euro-ecu deals which performed poorly for several weeks.

However, an official at Paribas Capital Markets, which led the Compagnie Bancaire deal, said there had been a recent revival in investor demand for ecu and euro-ecu bonds at the cheaper levels, leading to a partial recovery.

The E200m seven-year offering was priced at a spread of 20 basis points over the comparable OAT and widened to 23 points on the bid.

Meanwhile, Sri Lanka returned to the market after a 15-year absence with a $50m offering of three-year floating-rate notes via Citibank and ING Barings.

The purpose of the issue was primarily to set a benchmark for other Sri Lankan borrowers as the country gears up for heavier borrowing in the commercial markets. To date, Sri Lanka has relied on official loans for much of its $10.1bn external debt, but plans more commercial borrowing as higher living standards render it ineligible for concessionary aid finance.

Portugal launched its first sovereign debt issue managed by the country's recently-created debt management office – FFr3bn of 10-year bonds. The issue, jointly led by BNP, CDC Marchés and Lehman Brothers, contained a redenomination clause into the single European currency. Unlike most such issues, the redenomination is automatic after the advent of European economic and monetary union, rather than through an option exercisable by the borrower.

The choice of the currency and the redenomination clause are "a statement by the debt management office of Portugal's commitment to Emu," CDC Marchés said.

The pricing, with a yield of 17 basis points over the French yield curve, was in line with existing Portuguese bonds in francs.

The World Bank followed the IFC's Philippine debut europeso issue on Monday with a 3bn europeso offering yesterday. Lead-managed by Deutsche Morgan Grenfell, the issue was targeted more at the euromarket than the IFC issue, which had been mostly sold to Asian investors.

With a coupon of 10.25 per cent, 180 basis points under equivalent five-year Philippine government peso bonds, the bonds quickly tightened in secondary trading. Syndicate officials said the bond rose to par and a quarter during the afternoon. About 15 per cent was distributed to US investors with the remainder split between Asia and Europe.

J.P. Morgan continued the vogue for eurorand debt by opening up the R2bn issue launched earlier this week for the World Bank with another R2bn yesterday. Officials said that the zero-coupon bond, which was sold at the re-offer price of 3.803, was popular with retail investors in Switzerland and Italy.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
PMT, 1997-1, Class A(a1)‡	489	(a2)	(a2)	Mar 2002	-	-	CSFB
PMT, 1997-2, Class A(a4)‡	570.5	(a5)	(a5)	Mar 2004	-	-	CSFB
Ongko Intl Finance(i)	100	10.50#	99.4642	Mar 2004	Undisd	+400(5¾%-04)	Bank of Boston
Sri Lanka(b)‡	50	(b1)	100.00	Apr 2000	1.00	-	Citibank/ING Barings
D-MARKS							
Russian Federation	2bn	9.00	100.00R	Mar 2004	1.00R	+370(6¼%-04)	CSFB/Deutsche MG
Dresdner Finance(c)	100	zero	87.40	Apr 2001	Undisd	-	Dresdner KB
FRENCH FRANCS							
Republic of Portugal	3bn	5.625	98.892R	Apr 2007	0.325R	+17(i)	BNP/CDC/Lehman
PESETAS							
EBRD(d)	7.5bn	-	-	Apr 2001	None	-	Deutsche Morgan Grenfell
EUROS							
Compagnie Bancaire(e)	200	5.875	99.97R	Apr 2004	0.35R	+20(6%Apr04)	Paribas Capital Markets
AUSTRALIAN DOLLARS							
Rabo Australia	100	7.50	101.60	Apr 2002	2.00	-	CBA
NEW ZEALAND DOLLARS							
LB Schleswig-Holstein	100	7.75	100.775	Apr 1999	1.125	-	Toronto Dominion Bank
SOUTH AFRICAN RAND							
World Bank(f)	2bn	zero	3.803R	Apr 2022	0.125R	-	JP Morgan Securities
World Bank(g)	1.5bn	zero	7.40	Apr 2017	0.50	-	Hambros Bank
PHILIPPINE PESOS							
World Bank	3bn	10.25	101.414	Apr 2002	1.625	-	Deutsche Morgan Grenfell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Providian Master Trust. a1) Average life: 4.99 yrs. Legal maturity: May 06. a2) Priced later: 1-mth Libor +8-9bp. a3) 97-1, Class B: $57m, 1-mth Libor +27-28bp. a4) Av life: 6.99 yrs. Legal maturity: May 08. a5) Priced later: 1-mth Libor +10-11bp. a6) 97-2 Class B: $68.5m, 1-mth Libor +30bp area. b) Puttable on 5/4/99 at par. b1) 3-mth Libor +150bp. c) Redemption: 100% in DM or 57% in US$, bondholders choice. d) 5-tranche deal linked to Ibex-35 equity index. e) Coupons in Ecu prior to Emu. f) R2bn launched 11/3/97 increased to R4bn. g) R3.5bn launched 5/3/97 increased to R5bn. i) Over interpolated yield. i) Long 1st-coupon.

CAPITAL MARKETS NEWS DIGEST

Loan for AMD to fund chip plant

Dresdner Bank has arranged a DM1.65bn ($969m) loan to help finance a new semi-conductor plant to be built in the east German city of Dresden by Advanced Micro Devices of the US. The DM3bn plant, including a research centre, is due to start production in 1999 and employ 1,430 people.

Mr Bernd Fahrholz, head of the bank's global finance division, said the loan would run until 2006, the relative shortness of the maturity reflecting the short product-cycle time in the computer chip industry. However, when the chips made by AMD in Dresden were overtaken by a new generation, the plant would still carry on producing its existing products.

The loan will be spread across a syndicate of 17 banks. This comprises Dresdner and 14 other German banks, as well as ABN Amro Bank of the Netherlands, Creditanstalt-Bankverein of Austria and Sumitomo Bank of Japan. German government and regional financial support for the project will total some DM800m, including interest rate subsidies and guarantees. AMD itself will invest around DM550m.

Mr Fahrholz said the loan consisted of a basic DM1.5bn, with a reserve line of 10 per cent to cover further costs. Terms were not disclosed but are likely to be much more favourable than the 200 basis points over London inter-bank offered rate (Libor) which Gazprom, the Russian gas producer, is paying on a $2.5bn project finance loan also arranged recently by Dresdner.

Andrew Fisher, Frankfurt

Moody's downgrades Turkey

Moody's Investors Service, the US credit rating agency, yesterday downgraded to B1 the rating of Turkey's foreign currency-denominated sovereign debt. This new rating will act as a ceiling for all debt issued by borrowers domiciled in the country.

Moody's said its action was prompted by Turkey's weak fiscal position, as well as concerns that political uncertainties might make it more difficult to carry out essential reforms.

Although Moody's noted that privatisation revenues were likely to increase, it described official projections of $10bn as "unrealistic". It also recognised the many strengths of the economy, but pointed out that the macroeconomic context remained highly unstable. "Under current policies, inflation is unlikely to decline from last year's 81 per cent," Moody's said.

Standard & Poor's, the other large US rating agency, rates Turkey's long-term foreign-currency debt B, one notch lower than Moody's. S&P said its rating outlook on the country was "stable".

While Turkey's external debt burden is not excessive compared with other countries with similar ratings, Moody's nonetheless pointed out that the government "is entering a period of unusually high debt service obligations, with principal repayments rising to more than $9bn this year and in 1998".

Samer Iskandar

Treasury weakness spills into Europe

GOVERNMENT BONDS

By Richard Waters in New York and Samer Iskandar in London

Weakness in the US Treasury market following the release of stronger than expected economic data spilled into Europe.

Most European bonds closed lower, led by falling German bunds, except Italian BTPs and Spanish bonos, which were supported by an improving political climate and favourable inflation data respectively.

US bond prices fell again in New York in morning trading as concern grew that the Federal Reserve may mount its threatened pre-emptive strike on inflation after all.

The latest bout of nerves was prompted by US retail sales figures that showed a jump in consumer spending so far this year.

Retail sales in February increased by 0.8 per cent, compared with expectations of around 0.6 per cent. Also, January's increase was revised upwards to 1.5 per cent, from an original 0.6 per cent.

The news increased the risk that the Fed's policy-making committee would act to raise interest rates when it meets on March 25, Wall Street economists said.

Mr Alan Greenspan, chairman of the Federal Reserve, raised the prospect two weeks ago of a pre-emptive rate rise to head off inflationary pressures.

By midday the yield on the benchmark 30-year Treasury had risen close to its highest point of the year, reversing the bond market rally of early February. The 30-year bond fell $\frac{25}{32}$ to $96\frac{1}{32}$, its yield rising to 6.933 per cent.

Among other maturities, two-year Treasury notes slipped ¼ to $99\frac{7}{32}$, to yield 6.165 per cent, and five-year bonds fell $\frac{5}{32}$ to $96\frac{25}{32}$ to yield 6.503 per cent.

In London, the June future on German bunds settled near the day's lows at 101.42, down 0.36. Traders said the fall was mainly due to weakness in the US market.

"It was a continuation of Wednesday's weakening late in the afternoon," said one futures trader. "It looks like European bonds will continue to follow the US for a while."

Italian BTPs outperformed other markets on signs that political opposition, mainly from the reformed communists, to the government's mini-budget plans was waning.

After following bunds lower to 125.20, the London-listed June BTP future recovered to close at 125.97, up 0.19. The rise accompanied a recovery by the lira on the foreign exchange markets.

Spanish bonos also rose. In Barcelona the March bono future ended the day 0.21 higher at 112.60, on rising hopes of a rate cut by the Bank of Spain.

The year-on-year rate of growth of consumer prices slowed to 2.5 per cent last month, from 2.9 per cent in January.

"This is the signal we had been waiting for," said one economist. "There is no reason for the central bank to refrain from easing [monetary policy] now."

UK gilts ended a quiet session slightly lower, in line with Treasuries and bunds. The June long gilt future lost $\frac{3}{32}$ at 111⅝, while in the cash market the 10-year yield spread of gilts over bunds was unchanged at 178 basis points.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	92.6543	−0.060	7.84	7.79	7.28
Austria		5.625	01/07	99.7300	−0.120	5.66	5.64	5.74
Belgium		6.250	03/07	103.1700	−0.370	5.82	5.73	5.69
Canada *		7.000	12/06	103.4000	−0.550	6.52	6.44	6.47
Denmark		8.000	03/06	110.8800	−0.360	6.39	6.33	6.45
France	BTAN	5.500	10/01	103.7216	−0.130	4.60	4.48	4.50
	OAT	6.500	10/06	107.1500	−0.320	5.53	5.50	5.58
Germany Bund		6.000	01/07	102.1300	−0.270	5.71	5.67	5.71
Ireland		8.000	08/06	106.9700	−0.470	6.66	6.60	6.62
Italy		7.750	11/06	101.4600	−0.140	7.53†	7.36	7.41
Japan	No 143	6.300	09/01	121.9174	+0.264	1.25	1.32	1.36
	No 182	3.000	09/05	105.4744	+0.454	2.24	2.36	2.38
Netherlands		5.750	01/07	101.0600	−0.280	5.48	5.43	5.53
Portugal		9.500	02/06	117.5600	−0.090	6.83	6.87	6.72
Spain		7.350	03/07	103.0940	+0.684	6.98	6.97	6.77
Sweden		8.000	08/07	107.8836	−0.150	6.91	6.84	6.93
UK Gilts		8.000	12/00	103-21	−3/32	6.87	6.84	6.89
		7.500	12/06	101-02	−8/32	7.34	7.29	7.31
		9.000	10/08	111-31	−11/32	7.44	7.39	7.40
US Treasury *		6.250	02/07	97-01	−18/32	6.66	6.59	6.44
		6.625	02/27	96-07	−30/32	6.93	6.85	6.74
ECU (French Govt)		7.000	04/06	106.4700	−0.370	6.05	5.97	5.96

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.16
Prime rate	8¼	Two month	-	Three year	6.34
Broker loan rate	7	Three month	5.23	Five year	6.50
Fed.funds	$5\frac{5}{16}$	Six month	5.42	10-year	6.65
Fed.funds at intervention	-	One year	5.74	30-year	6.82

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.84	130.78	−0.28	130.88	130.60	158,403	68,840
Jun	129.52	129.46	−0.30	129.54	129.30	98,210	88,146
Sep	127.90	127.84	−0.30	127.90	127.90	2	2,153

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
128	1.53	-	2.06	0.07	0.35	0.63
129	0.70	-	1.42	0.25	0.63	0.96
130	0.21	0.58	0.88	0.75	1.11	1.41
131	0.06	0.25	0.51	1.60	1.78	2.04
132	0.02	0.09	0.25	2.56	2.62	2.76

Est. vol. total, Calls 16,641 Puts 10,765. Previous day's open int., Calls 122,425 Puts 131,103.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.82	101.42	−0.36	101.83	101.37	205947	239457
Sep	100.55	100.55	−0.36	-	-	0	709

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
10100	0.91	1.04	1.28	1.31	0.10	0.62	0.86	1.76
10150	0.29	0.74	0.98	1.09	0.37	0.82	1.07	2.04
10200	0.10	0.50	0.74	0.80	0.88	1.06	1.32	2.35

Est. vol. total, Calls 14750 Puts 44034. Previous day's open int., Calls 184198 Puts 189000

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	125.30	125.97	+0.18	126.30	125.20	63534	105586
Sep	125.70	125.92	+0.19	125.70	125.70	100	2432

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
12550	2.15	3.02	1.68	2.60
12600	1.83	2.74	1.86	2.82
12650	1.57	2.47	2.10	3.05

Est. vol. total, Calls 9284 Puts 5475. Previous day's open int., Calls 78354 Puts 80354

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	112.05	112.60	+0.21	112.78	111.99	115,769	39,363
Jun	111.95	112.45	+0.16	112.60	111.85	20,705	42,978

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	111-23	111-20	-0-10	111-26	111-21	3028	29065
Jun	111-07	111-04	-0-11	111-12	111-01	56590	168798

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
111	0-33	1-15	1-38	2-09	0-25	1-07	1-30	2-31
112	0-10	0-52	1-08	1-45	1-02	1-44	2-00	3-03
113	0-02	0-30	0-48	1-22	1-58	2-22	2-40	3-44

Est. vol. total, Calls 1685 Puts 2301. Previous day's open int., Calls 65422 Puts 31671

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	96.50	96.44	−0.28	96.50	96.22	2,580	4,465
Jun	94.94	94.86	−0.28	94.94	94.84	1,242	2,258

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	110-05	109-21	−0-16	110-05	109-18	14,166	120,027
Jun	109-20	109-03	−0-18	109-22	108-30	298,014	384,295
Sep	109-02	108-19	−0-20	109-04	108-18	13,935	14,043

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	126.32	-	-	126.36	126.25	1544	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities UK Indices

Price Indices UK Gilts	Thu Mar 13	Day's change %	Wed Mar 12	Accrued interest	xd adj. ytd		Low coupon yield Mar 13	Mar 12	Yr. ago	Medium coupon yield Mar 13	Mar 12	Yr. ago	High coupon yield Mar 13	Mar 12	Yr. ago
1 Up to 5 years (19)	120.91	−0.12	121.06	2.34	2.59	5 yrs	7.01	6.95	7.53	7.07	7.01	7.57	7.11	7.06	7.69
2 5-15 years (21)	151.35	−0.31	151.81	2.88	1.93	15 yrs	7.51	7.47	8.29	7.51	7.46	8.32	7.47	7.34	8.43
3 Over 15 years (6)	172.37	−0.38	173.03	4.53	2.31	20 yrs	7.58	7.54	8.37	7.55	7.51	8.38	7.49	7.35	8.47
4 Irredeemables (5)	200.18	−0.23	200.65	4.09	1.00	Irred.†	7.61	7.60	8.37						
5 All stocks (51)	145.48	−0.26	145.86	3.00	2.30										

Index-linked	Thu Mar 13	Day's change %	Wed Mar 12	Accrued interest	xd adj. ytd		Inflation 5% Mar 13	Mar 12	Yr. ago	Inflation 10% Mar 13	Mar 12	Yr. ago
6 Up to 5 years (2)	203.38	−0.12	205.79	0.53	2.16	Up to 5 yrs	3.23	3.19	3.06	2.56	2.52	1.82
7 Over 5 years (10)	196.40	−0.39	197.18	1.15	1.81	Over 5 yrs	3.54	3.51	3.81	3.35	3.31	3.60
8 All stocks (12)	196.07	−0.36	197.00	1.08	1.83							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Mar 13	Mar 12	Mar 11	Mar 10	Mar 7	Yr ago	High*	Low*
Govt. Secs. (UK)	95.20	95.50	95.77	95.90	95.70	92.42	96.74	91.59
Fixed Interest	118.35	118.43	118.72	116.59	119.45	110.88	120.18	110.74

Gilt Edged Activity Indices

	Mar 12	Mar 11	Mar 10	Mar 7	Mar 6
Gilt Edged bargains	NA	NA	81.4	90.9	85.2
5-day average	NA	NA	84.1	85.9	82.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on March 13

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

COMPANIES AND FINANCE: UK

Enterprise Oil rises 40%

By Jane Martinson

Enterprise Oil became the FTSE 100's best performer yesterday as it announced a 40 per cent increase in net profits and damped speculation that it was planning an imminent takeover.

Mr Pierre Jungels, chief executive, said that prices were currently too high for the company to contemplate a takeover. "There is nothing on the horizon at the right price," he said.

But he indicated that the company would still pounce if it found a suitable target. "We have an internal growth which does not put us under any pressure to do anything else," he said. "At the same time, we have a strong balance sheet and therefore if the right opportunity arises at the right price we will move quickly."

He ruled out bids for the two companies most mentioned as possible bid targets – British-Borneo and Monument. Ha called the latter "the most ridiculous story of a lifetime".

Net profits rosa from £101.6m to £142.5m ($226.6m). The shares closed up 18½p at 652p.

Analysts said that the figures confirmed the re-rating Enterprise had enjoyed last year when it was the FTSE 100's best performer.

Enterprise also increased production forecasts to 320,000 barrels of oil a day by 1999. The company believes that discoveries in the UK, Norway, Italy and the Gulf of Mexico will boost reserves in coming years.

The company is to spend £500m this year on exploration, appraisal and development, significantly more than last year.

Total turnover rose 33 per cent to £1.01bn (£763m) last year, belped by higher oil prices and increased production. At £13.17 per barrel on average, prices were 23 per cent higher than in 1995. Total production rose 3 per cent to an average of 242,932 barrels of oil a day.

Operating profits rose 54 per cent to £355m.1m, as costs per barrel produced fell from £2.35 to £2.28.

Net debt of £228m gave gearing of 23 per cent, a level set to rise slightly this year because of increased development costs.

A final dividend of 10.5p makes a total of 17p, up 6 per cent, and payable from earnings of 26p (18.3p).

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Amvesco	Yr to Dec 31	236.2	(192.1)	68	(50.4♥)	16.3	(13.7)	4	July 1	4	6	5.75
Benchmark	6 mths to Dec 31	2.42■	(0.46■)	1.2	(0.26L)	3.28	(18.7L)	-	-	-	-	-
British Mohair	Yr to Dec 31	44.2	(48.1)	0.869	(2.31♥)	4.42	(11.54)	4.1	May 19	7.8	5.5	9
Cape	Yr to Dec 31	242.6	(243.7)	13.21♠	(11.5♠)	24.7L	(14)	3	May 16	8	6	11
Christies Intl	Yr to Dec 31	227	(191.9)	33.9	(21.5)	12.77	(8.03)	3.55	May 23	2.15	4.75	2.8
Coats Viyella	Yr to Dec 31	2,455	(2,460)	94.4♠	(162.5♠)	8	(15.7)	5.1	July 1	5.1	9.725大	9.725大
Cordiant	Yr to Dec 31	754.8	(761.1)	41.8	(22.6L♠)	5.5†	(12.8L)	1	July 1	nil	1	nil
Cortworth	Yr to Dec 31	67.2	(70.5)	10.1	(4.94)	14.4†	(15.5)	4.4	May 8	-	6.5	-
Coutts Consulting	Yr to Dec 31	38.3	(33.7)	3.04♠	(2.39♠)	2.78†	(2.52)	1.55	June 30	1.4	2.3	2
Davis Service	Yr to Dec 31	343.9	(342.9)	32	(24.1♠)	18.92†	(14.42)	6.9	May 20	6.27	10.29	9.35
Enterprise Oil	Yr to Dec 31	1,013	(762.9)	355.4	(201.2)	26†	(18.3)	10.5	June 2	9.5	17	16
Fiscal Properties	Yr to Dec 31	7.08	(6.15)	1.23	(1.65)	3	(3.3)	nil	-	1.4011	0.72	2.0563
General Cable	Yr to Dec 31	55.7	(30.7)	29.8L	(21.2L)	9.6L	(8.1L)	-	-	-	-	-
Gibbs & Dandy	yr to Dec 31	29.3	(27.4)	1.21	(1.09)	10.4	(9.7)	2.25	2.1	May 9	3.75	3.5
Graham	Yr to Dec 31	533.9	(488.6)	10.7	(19.3)	5†	(10.2)	3.8	May 20	3.8	5.7	5.7
Jeyes	Yr to Dec 28	113	(116.6)	2.94♥	(1.29♥)	9	(3.4)	1	May 16	nil	1	nil
Lambert Howarth	Yr to Dec 31	98.7	(89.3)	2.21	(1.67)	11.8†	(9.6)	5.25	May 15	4.85	7.5	7.1
Legal & General	Yr to Dec 31	3,066□	(2,314□)	1,937♥	(271.3)	145.55	(15.89)	7.63	June 2	6.68#	11.13	9.76#
Maid	Yr to Dec 31	21.4	(13.8)	7.03L	(4.05L)	7.821†	(4.42L)	-	-	-	-	-
Mirror	Yr to Dec 29	537.7	(500.9)	101.6♥	(108.7♥)	19.8	(19.8)	3.15	May 23	2.8	4.5	4
Mallins	Yr to Dec 31	306.2	(285.5)	33.4	(29.8)	72.8	(65.4)	15.5	May 21	14.1	22	20
Moorepay Φ	Yr to Dec 31	5.12	(4.63)	1.33	(1.14♥)	11.56	(10.22)	-	-	-	5.85	4.4
Nelson Hurst	Yr to Dec 31	50.6	(46.6)	8.91♠	(11.9♥)	11	(16.3)	5.75	May 29	5.2	8.6	7.8
Perry	Yr to Dec 31	456.4	(414.3)	6.28	(8.55)	21.1	(18.8)	5.75	July 1	5.1	9	8
Pittards	Yr to Dec 31	109.1	(110)	3.63	(0.5221♠)	13.3	(4L)	2.5	May 16	1.5	3.25	1.5
Reckitt & Colman	53 wks to Jan 4	2,322	(2,353)	334.8♥	(417.8♥)	57.7	(76.8)	14.02大	July 7	12.8	23.37大	20.15
Sirdar	6 mths to Dec 31	27.9	(28.4)	2.59	(3.3♥)	3.16	(4.2)	1.79	May 6	1.79	-	5.48
Tilbury Douglas	Yr to Dec 31	478.7	(456.4)	19	(16.5♥)	38.6	(33.3)	16	July 1	15	23	22
United Biscuits	Yr to Dec 28 ★	1,987	(3,001)	24.4♠	(100.6L♠)	3.2	(23.9L)	6.5	July 1	6.3	10	9.8
Woodchester Invs ♣	Yr to Dec 31	-	(-)	44.3	(36.4)	15.46	(13)	4.69	May 16	4.08	7.85	6.83

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dunedin Inc Growth	Yr to Jan 31 ★	850	(777)	10.3	(10.3)	32.23	(32.3)	19.35	Apr 25	18.4	28.9	27.5
Exeter Preferred	Yr to Jan 31	189.47	(171.47)	0.138	(0.115)	0.59	(0.49)	0.59	May 23	0.49	0.59	0.49

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ■Net rental income. †On increased capital. 大Includes Foreign Income Dividend element. □Net written premiums. #Adjusted for reduced nominal value. ΦAim stock. ★Comparatives restated. ♣Irish currency.

Coats Viyella chief departs

By Jenny Luesby and Richard Wolffe

Mr Neville Bain yesterday announced he was to quit as chief executive of Coats Viyella, Europe's largest clothing and textiles company.

His unexpected resignation came as tba group unveiled results at the bottom end of recently downgraded expectations. On continuing businesses, sales rose by 5 per cent to £2.46bn ($3.91bn) last year, but operating profits fell by 7 per cent to £174.3m.

Mr Bain yesterday said his resignation had nothing to do with last year's poor results. He will be replaced by Mr Michael Ost, chief executive of McKechnie, the plastics and metal components group.

All the large public companies in textiles and clothing have delivered disappointments in recent years, as raw material prices bave soared and consumer demand has been weak.

However, Mr Bain has outperformed his rivals. He has also been outspoken about his growing interest in corporate governance and general management issues. He has been chief executive at Coats Viyella for seven years. At 56, he now aims to take up a series of non-executive posts and expand his work in business education.

Michael Ost: incoming

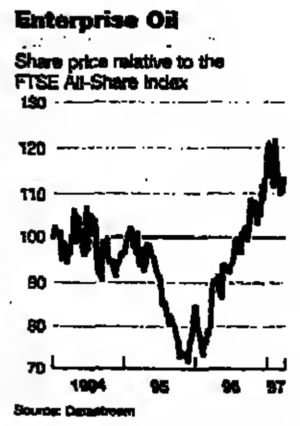
Mr Bain will leave Coats in May and receiva 12 months pay under his contract.

The challenge for Mr Ost will be to expand sales and profit margins after tbe recent restructuring.

LEX COMMENT

Enterprise

1996 was the year Enterprise Oil decisively clawed back its reputation with investors, and the figures were no disappointment. Even if 40 per cent earnings growth may not have been stunning, the market was rightly more interested in impressive cost statistics and a healthy jump in future production. Meanwhile, cold water was usefully poured on weekend talk of a £1bn acquisition spree. True, Enterprise has cash coming out of its ears: net debt was last year cut by a quarter.



But not only is this embarrassment of surplus riches unlikely to continue, the sector's frothy rating makes expanding by acquisition a tricky policy. Maybe Mr Pierre Jungels, chief executive, could still do both sides a favour by plucking some undervalued gem from BG, whose unloved upstream business be ran until last September.

Of course, it is precisely the general regard for Mr Jungels that presents an awkward dilemma for investors. However well the company is run, can a £1bn premium to analysts' net asset value estimates really be justified? Well, perhaps. Not only do NAV figures oot capture everything oil companies have found, they also allow nothing for future returns from exploration. By one reckoning, even cautious assumptions about future returns suggest an annual £90m exploratioo speod would justify Eoterprise's current valuation gap. Consider that the company expects to spend more like £160m a year, and the share price looks well-founded.

Auctions improve picture at Christies

By Antony Thorncroft

Christies International, the fine art auctioneer, saw pretax profits jump 57 per cent last year to £33.9m ($53.9m) despite an improvement in sales of just 9 per cent, to £1.02bn.

The higher profits owed much to the growing return of collector confidence in almost all sectors of tha art market, and in most regions.

Sales in Asia-Pacific, regarded as the area with the greatest potential, rose 31 per cent to £63m. In contrast, turnover in the US, the company's biggest market, was only 4 per cent higher.

Profits were also boosted by the success of a new commissioo system, introduced in September 1995, which offers sellers a fixed-price structure. Previously some clients could command substantial reductions in their fees which, in a competitive market could reduce profits.

Mr Cbristopber Davidge, group chief executive, now spends as mucb time in New York as in London. He said yesterday that the company was planning to review its US operations since the premises at 502 Park Avenue were too small.

L&F buy helps Reckitt to £371m

By Rosa Tieman

Benefits from its $1.5bn purchase of US disinfectant and food maker L&F two and a half years ago underpinned an 8.9 per cent rise in underlying profits at Reckitt & Colman, the household products group.

Reckitt achieved operating profits from continuing businesses of £371m (£341m)aided by an 19 per cent pick-up in North America, to £121m. But a fall in exceptional profits on businesses sold, from £133m to £18.3m, cut group pre-tax profits in the year to January 4 by 20 per cent to £335m.

In spite of persistent bid speculation by competitors such as Unilever or Procter & Gamble, shares in tha company, eased 2p to 787p.

Mr Vernon Sankey, chief executiva, lamented tha higher rating accorded US rivals such as Procter & Gamble. But he warned that profits at Reckitt could be hit by sterling's strength.

Some analysts were disappointed at the growth in turnover of under 2 per cent, to £2.29bn. The company said like-for-like growth was 5.4 per cent, but some brokers suggested this was still "unexciting".

Since the acquisition of L&F in October 1994, Reckitt has merged tbe operations with its own North American business, and shed 1,400 staff – equivalent to L&F's entire payroll.

Lysol, the best-known disinfectant in the US, is being developed as a brand-name while the mayonnaise, mustard and ketchup businesses, regarded by Reckitt as non-core, are being steadily developed.

Overall, North America accounts for 34 per cent of sales. In Europe, sales were static at £763m. But operating profits climbed £14.6m to £125m with a strong UK performance.

Profits in Australasia fell by £20m to £26.1m because of increased pension payments and the development of a centre to research pest control products.

Latin American sales grew 7 per cent, producing operating profits of £52.7m, up 28 per cent. Sales growth in Asia was 11 per cent but operating profits, at £15.2m, are growing from a smaller base.

Operating profits from Africa and the Middle East, by comparison, were £31m, a margin of 22 per cent on sales of £141m.

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NEWS DIGEST

LTP pay-out to BP directors

British Petroleum has increased the total remuneration paid to its board directors from £4.51m to £13.1m ($20.8m) following the first share awards under the oil company's long-term performance (LTP) plans.

Of the group's senior managers, Mr John Browne, chief executive, enjoyed the largest increase after seeing his total pay and remuneration package jump from £635,000 to £2.47m last year. His basic salary of £425,000 was enhanced not only by £327,000 in bonuses and other benefits, but also by shares worth £1.72m awarded under the LTP criteria.

Details of the BP scheme – measured by the group's shareholder returns against seven rival oil companies – are contained in the group's annual report and accounts, published today. It is the first time BP executives participating in the scheme have received shares under the plan, first unveiled in 1991 and covering the company's performance up to 1995. Over that period, the company was heavily restructured and enjoyed steady growth in underlying operating profits.

BP said yesterday the awards became payable because the company had "clearly outperformed the other major oil companies:... achieving growth in total shareholder return of 63 per cent above the growth in the UK market".

Officials further justified the scheme by saying BP had recorded the highest return on capital in the oil industry last year – 17 per cent – while its underlying income of $4.1bn put it third in the world behind Shell and Exxon. They emphasised that directors awarded shares under the first LTP could not cash them in until 2001.

Shares awarded under BP's subsequent LTP scheme, bowever, could in theory ba exercised before the end of the decade. Shares from the 1994 three-year plan, for example, may be exercised in 1999.

Tim Burt

ScotAm sets up bids tribunal

An independent tribunal chaired by a Queen's Counsel has been set up to resolve any disputes in the £2bn ($3.18bn) bidding battle for Scottish Amicable, tha mutual life insurer announced yesterday.

It made the unusual move as the three bidders – Prudential, Abbey National and Australian Mutual Provident – confirmed yesterday they would be submitting "final binding" offers by today's 6pm deadline. But they would not be publicizing details, despite tha opportunity to do so.

The tribunal will be chaired by Sir Patrick Neill, QC. Its other members are Mr William Staple, a director of NM Rothshild, and Mr Roger Corley, a former chief executive of Clerical Medical.

It will provide a forum for a disgruntled underbidder to appeal. "We don't expect there to be a dispute, but we want to have a procedure in place for bidders to express dissatisfaction were they to feel hard done by," said an adviser to Scottish Amicable.

Scottish Amicable expects to recommend a preferred bidder this month.

Christopher Brown-Humes

Rough ride for Salveson board

The board of Christian Salvesen, the logistics and equipment hire company, suffered a bruising yesterday when opponents of its plan to pay a special dividend as a prelude to splitting it in two won more than 30 per cent of the votes in a ballot.

It had to endure nearly two hours of criticism before the proposals, which also involve consolidating Salvesen's share capital, were defeated on a show of hands. But Sir Alick Rankin, chairman, had received proxies for 55 per cent of the share capital, and the board eventually won 69.8 per cent of the votes cast.

Earlier Salvesen said it was in discussion with potential purchasers of its American refrigerated warehousing business, CS Inc. Analysts believe it is worth £50m-£60m.

N Brown shares suspended

Shares in N Brown Group, which plans to buy the Freemans homa shopping group from Sears, were suspended at 377½p yesterday after slipping in anticipation of a rights issue to fund the deal. It is likely to be funded through a 50:50 mix of debt and equity.

COMMODITIES AND AGRICULTURE

Zinc group set for rights issue

By Kenneth Gooding, Mining Correspondent

Mr David Stewart, chief executive of Pasminco, the Australian group that is the world's biggest zinc producer, is so sure that the long-delayed Century project in Queensland will go ahead soon that he is preparing for a rights issue to pay for the venture.

Century – so named because it is the biggest zinc discovery in 100 years – has become mired in controversy about Aboriginal land rights. When it comes into operation it will produce 425,000 tonnes of zinc a year – 8 per cent of world supply – and 40,000 tonnes of lead. It will also be the world's biggest silver producer.

Analysts suggest that Pasminco will raise between A\$500m-A\$600m (US\$416.6m-\$500m) to finance Century and the neighbouring Dugald River projects.

Pasminco has agreed to pay A\$345m to RTZ-CRA, the Anglo-Australian group, once native title arguments are settled and valid leases are issued for the two projects and a pipeline to the Gulf of Carpentaria.

RTZ-CRA estimates that Century will cost A\$1.134bn, but Mr Stewart suggested that Pasminco could reduce this by using contractors.

A February deadline for agreement with Aboriginal groups has passed and talks about compensation will go to arbitration. Mr Stewart suggested the arbitrators were unlikely to recommend as much as the A\$60m compensation package previously offered to native groups by RTZ-CRA.

Half of Century's output is to go to Pasminco's smelter at Budel, in the Netherlands – which is one of the world's most efficient but is threatened because it is running out of space to store jarosite, a residue from the smelting process.

The Dutch authorities would prefer Budel to close, with the loss of more than 500 jobs, rather than have it generating jarosite forever.

Century will produce a "clean" concentrate, an intermediate product, that will enable Budel – which accounts for about 5 per cent of western zinc output – to continoe.

Mr Stewart said that the acquisition of Century would provide Budel with a guaranteed 20 years of raw material without tha need to renegotiate the supply contract.

In addition, Dugald River would be hrought into production slightly after Century, between 2005 and 2010.

This would enable it to fill the gap left when Pasminco's Broken Hill mine is exhausted in about 2010.

Mr Stewart he believes arbitration over land rights could last until the end of this year.

It would then take two years to huild the Century mine, hut it would still be possible to start supplying Budel before storage capacity ran out.

Following a strategic review in 1995, Pasminco decided to remain focused on lead and zinc, where it sees opportunities for growth.

It expects demand for the metals to grow in line with global economic expansion, at between 2 per cent and 2.5 per cent a year, and there might be further growth from acquisitions.

The company aims to get its all-in costs down below US\$850 a tonne – a level to which zinc has not fallen for a year.

At preseni, Pasminco's break-even zinc price is about \$950.

Queensland ends freeze on land lease applications

Queensland's state government yesterday began to lift its freeze on new pastoral and mining lease applications, writes Nikki Tait.

Some industry leaders had blamed the freeze for causing serious "gridlock" to the state's land management.

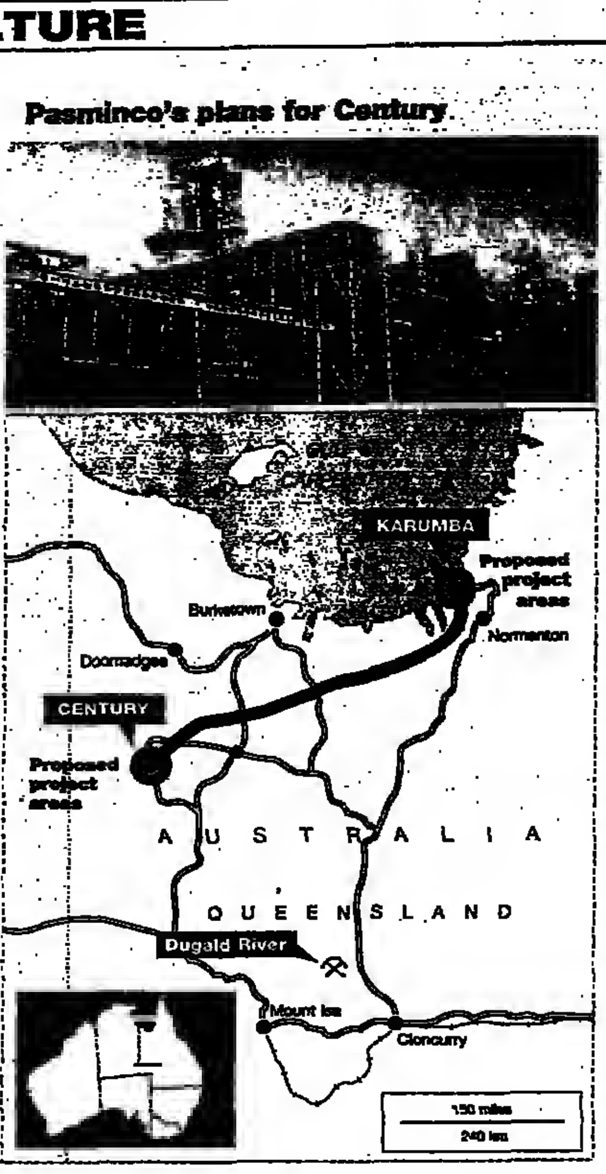
Queensland's economy is heavily dependent on commodities, comprising both large rural industries, such as beef and sugar, and a big mining sector.

The freeze was imposed in early January, after the High Court's unexpected ruling that native title could exist on land where a pastoral lease had been granted. This was an area left unclear by Australia's landmark Native Title Act, which was passed in 1993 and for the first time set up a system by which Aborigines could make native title claims for land with which they had a "close and continuing" association.

The freeze was justified on the grounds that issuing new licences or making changes to existing leaseholdings without the consent of indigenous communities could incur compensation claims. Around 1,400 lease applications are thought to have been held up as a result.

However, the move was also seen as a means of putting pressure on the federal government to resolve the pastoral lease issue. The state government itself has pressed for new legislation which would effectively override the High Court and extinguish native title on pastoral leases. However, such a move would almost certainly bring fresh legal challenges, and Mr John Howard, prime minister, has indicated that he is looking for a compromise solution.

Pasminco's plans for Century



IPE and Nymex in link to cut costs

By Laurie Morse in Boca Raton

The International Petroleum Exchange and the New York Mercantile Exchange have agreed to co-operate in two areas that could significantly reduce costs for their mutual customers.

The exchanges believe the joint initiatives will boost arbitrage trading between their rival Brent and West Texas Intermediate crude oil contracts.

They said that within 60 days they hoped to have an outline of plans to allow traders in New York and London to offset margin costs when trading in both centres.

A cross-margining agreement, according to Mr Patrick Thompson, the president of Nymex, would cut the amount of capital required to maintain a Brent/WTI spread position by 75 per cent.

Mr Lynton Jones, the IPE's chief executive, said the exchange was surveying customers to determine the demand for co-operation. "We expect a very positive response," he said.

The exchanges are also studying sharing a common system for after-hours electronic trading. Their goal is to put both oil contracts on the same screen during the hours their trading floors are closed.

"We want to do everything possible to expand the number of people who have access to our markets," Mr Jones said.

Nymex currently operates its own after-hours system, Access, while the IPE offers an electronic system called ETS.

Nymex's system will be restructured by mid-1998, and could be designed to be compatible with the IPE system, exchange officials said.

Metal prices 'to remain flat'

MARKETS REPORT

By Kenneth Gooding

Metal prices, except for zinc, could be expected to remain fairly flat for the rest of this year, Mr Karel Vinck, chief executive of Union Minière, the Belgian metals group, said yesterday. Copper and cobalt might even fall.

Mr Vinck expected zinc to average \$1,200 a tonne this year. In late trading yesterday, it jumped to a fresh 4½-year peak of \$1,286 a tonne.

Traders said a late burst of buying by investment funds caused the rise. Buying in the physical market early in the day by the Chinese had attracted the attention of the funds.

Traders said lead was having difficulty moving up to \$700 a tonne again. The metal's price has been as low as \$634 recently, having fallen from \$861 in May last year.

In a special report, Mr William Adams, analyst at Rudolf Wolff, part of Canada's Noranda natural resources group, suggests lead's fall has been overdone. Prices have been depressed by fund selling, slow demand from battery manufacturers and a general destocking, he says.

Meanwhile, lead stocks are below critical levels and still falling. Production stoppages at a number of mines will rednce the availability of coocentrate (an intermediate material), limiting China's potential to toll-smelt and export refined metal to the West. There is also potential for re-stocking by industry and this should result in a supply deficit this year.

Wolff expects lead prices to "return to \$730 in the medium term and we look for a re-challenge of \$750 –\$800 later in 1997."

The copper market was unperturbed by news that Ok Tedi in Papua New Guinea, one of the world's biggest producers of the metal, had not been able to ship down the Fly River for a week because of low water levels. BHP, which operates the mine, said stocks at the port had so far been sufficient to meet delivery schedules.

Palladium prices in London fell by \$3.75 a troy ounce to \$152.25 following a report that Russia, the biggest producer, might restart deliveries to Japan, the biggest user, at the end of March or the begining of April.

The restart was waiting for paperwork to be signed by prime minister Viktor Chernomyrdin, Mr Alexander Kulichkov, deputy chief executive of the state precions metals agency, Almazjuvelirexport, told Reuter.

MBR sees improving demand for aluminium

By Kenneth Gooding

The coming bull market for aluminium will not get fully under way until at least the middle of next year, according to the Metal Bulletin Research consultancy.

"Nevertheless, we remain confident that improving demand will boost sentiment and allow prices to consolidate at present levels, tracking higher, albeit slowly, over the next two years," says analyst Mr Raju Daswani, in MBR's latest industry review.

MBR forecasts that prices will average \$1,640 and \$1,870 a tonne in 1997 and 1998, respectively. It suggests investment funds will be attracted back to the aluminium market, "looking for substantial gains in the second leg of the bull market" and this might send prices to a peak of more than \$2,300 a tonne in 1999.

Demand for aluminium in the western world is likely to grow by 4.6 per cent this year after remaining stagnant in 1996, the review suggests.

However, about 875,000 tonnes of smelting capacity remains idle and expansions in Australia, Bahrain, Dubai, Iceland, India and New Zealand will have an impact this year and next. Russia will remain a big exporter. All this will ensure balanced supply and demand this year and for most of 1998. Aluminium supplies are forecast to tighten only late next year and in 1999.

Aluminium Industry Review, from MBR, 16 Lower Marsh, London SE1 7RJ, UK. £650.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1635.5-36.5	1667-67.5
Previous	1636-7	1667.5-8.0
High/low		1667/1667
AM Official	1634-35	1665-66
Kerb close		1659-60
Open int.	271,804	
Total daily turnover	97,029	

■ ALUMINIUM ALLOY (\$ per tonne)

	Cash	3 mths
Close	1525-30	1549-50
Previous	1522-23	1545-50
High/low	1527	1550/1540
AM Official	1526-27	1545-50
Kerb close		1540-45
Open int.	6,344	
Total daily turnover	737	

■ LEAD (\$ per tonne)

	Cash	3 mths
Close	696-8	692-4
Previous	687-9	687-9
High/low	700	696/687
AM Official	699-700	694.5-5.5
Kerb close		692-3
Open int.	39,879	
Total daily turnover	8,480	

■ NICKEL (\$ per tonne)

	Cash	3 mths
Close	7970-80	8060-65
Previous	7945-55	8050-60
High/low	7955/7950	8090/8000
AM Official	7949-50	8055-58
Kerb close		8050-60
Open int.	52,328	
Total daily turnover	11,706	

■ TIN (\$ per tonne)

	Cash	3 mths
Close	6050-60	6050-60
Previous	5985-95	5995-6005
High/low		6065/6010
AM Official	6035-45	6048-50
Kerb close		6040-50
Open int.	17,874	
Total daily turnover	9,630	

■ ZINC, special high grade (\$ per tonne)

	Cash	3 mths
Close	1261.5-62.5	1283-84
Previous	1245-6	1266-7
High/low		1287/1263
AM Official	1255-56	1276-76.5
Kerb close		1280-81
Open int.	87,753	
Total daily turnover	27,190	

■ COPPER, grade A (\$ per tonne)

	Cash	3 mths
Close	2400.5-02.5	2346-47
Previous	2387-9	2340-1
High/low	2380	2348/2312
AM Official	2380-81	2330-31
Kerb close		2338-39
Open int.	143,473	
Total daily turnover	61,212	

■ LME AM Official £/\$ rate: 1.6016
LME Closing £/\$ rate: 1.5973

Spot: 1.5970 3 mths: 1.5946 6 mths: 1.5922 9 mths: 1.5904

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	112.35	+0.15	113.90	111.90	718	8,686
Apr	111.05	+0.40	111.70	110.20	182	3,736
May	109.35	+0.50	110.40	108.20	9,015	24,297
Jun	107.65	+0.40	107.40	106.70	24	1,001
Jul	106.05	+0.30	107.00	105.20	344	7,771
Aug	104.80	+0.30	-	-	5	653
Total					10,422	58,180

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	\$ price	£ equiv	SFr equiv
Close	352.30-352.80		
Opening	351.80-352.10		
Morning fix	351.45	218.15	511.54
Afternoon fix	352.90	220.70	513.26
Day's High	353.30-353.60		
Day's Low	351.05-351.35		
Previous close	352.70-353.20		

Loco Ldn Mean Gold Lending Rates (Vs US\$)

1 month ....4.25 6 months 4.21
2 months ....4.23 12 months 4.11
3 months 4.23

Silver Fix	p/troy oz.	US cts equiv.
Spot	326.25	523.00
3 months	330.75	529.40
6 months	335.25	535.85
1 year	345.50	549.25

Gold Coins	\$ price	£ equiv.
Krugerrand	351-353	220-221
Maple Leaf	-	-
New Sovereign	82-85	51-53

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	354.1	+1.3	-	-	29,421	-
Apr	354.5	+1.3	355.3	352.2	29,421	65,175
Jun	357.0	+1.4	358.0	354.7	4,279	29,628
Aug	359.5	+1.5	360.4	358.5	829	10,534
Oct	361.9	+1.5	362.4	362.4	75	5,909
Dec	364.5	+1.5	365.0	363.2	127	21,304
Total					34,934	173,309

■ PLATINUM NYMEX (50 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	388.2	+2.1	388.8	382.6	2,255	18,180
Jul	388.3	+2.1	390.0	385.0	245	3,685
Oct	390.6	+2.1	-	-	24	2,089
Jan	392.8	+2.2	-	-	4	1,123
Total					2,524	25,067

■ PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	154.00	+1.45	153.00	153.00	74	98
Jun	156.00	+1.60	157.00	152.75	1,231	10,458
Sep	157.00	+1.60	157.00	156.75	37	720
Dec	158.00	+1.60	157.25	157.25	7	188
Total					1,342	11,465

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	527.9	+8.7	529.5	520.0	56	698
May	531.3	+8.5	534.0	522.5	10,619	58,805
Jul	536.3	+8.8	538.5	528.5	363	12,764
Sep	541.2	+8.4	542.5	537.0	45	3,357
Dec	548.6	+8.3	552.0	543.0	270	5,158
Jan	551.6	+8.3	552.0	552.0	-	14
Total					11,787	86,816

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, \$/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	20.86	+0.24	21.11	20.62	55,217	66,805
May	20.90	+0.22	21.04	20.65	49,963	70,880
Jun	20.90	+0.22	20.95	20.65	13,440	51,436
Jul	20.80	+0.19	20.80	20.61	5,940	25,458
Aug	20.85	+0.09	20.75	20.43	3,787	16,922
Sep	20.85	+0.13	20.65	20.49	1,634	13,641
Total					146,574	421,686

■ CRUDE OIL IPE (\$/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	20.02	+0.41	20.02	19.75	14,030	20,156
May	19.62	+0.23	19.62	19.41	13,032	85,632
Jun	19.45	+0.12	19.52	19.35	2,961	24,821
Jul	19.44	+0.15	19.47	19.31	1,096	12,544
Aug	19.41	+0.13	19.41	19.28	235	6,258
Sep	19.37	+0.10	19.38	19.28	175	8,415
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	54.70	+0.62	55.00	54.00	17,205	31,841
May	55.05	+0.54	55.25	54.35	9,898	21,792
Jun	55.25	+0.49	55.30	54.55	2,061	13,626
Jul	55.65	+0.44	55.75	55.15	1,647	12,848
Aug	56.40	+0.59	56.40	56.10	1,051	7,745
Sep	57.00	+0.48	57.00	56.75	328	5,139
Total					34,924	124,139

■ GAS OIL IPE (\$/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	169.25	+1.75	170.25	168.00	5,398	29,709
May	170.75	+2.25	171.25	169.50	1,486	6,403
Jun	171.75	+1.75	172.25	171.00	871	10,490
Jul	173.00	+1.75	173.50	173.00	98	4,245
Aug	174.25	+1.50	174.75	174.25	26	1,742
Sep	175.50	+1.25	176.00	176.00	7	1,310
Total					20,942	64,837

■ NATURAL GAS NYMEX (10,000 mmBtu; \$/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	1.950	-0.005	2.024	1.930	16,458	29,446
May	2.025	-0.003	2.080	2.010	6,969	27,289
Jun	2.045	-	2.090	2.030	2,443	12,413
Jul	2.050	-0.002	2.085	2.045	1,301	11,250
Aug	2.050	-0.007	2.090	2.045	774	9,031
Sep	2.050	-0.012	2.080	2.050	774	8,455
Total					31,669	176,139

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	64.70	+0.07	65.25	64.30	13,187	29,893
May	64.65	+0.20	65.00	64.20	7,919	25,624
Jun	64.10	+0.30	64.35	63.80	2,188	15,936
Jul	63.10	+0.30	63.15	62.70	1,768	7,239
Aug	61.90	+0.53	61.90	61.70	701	4,498
Sep	60.35	+0.43	60.40	60.35	211	2,440
Total					26,636	89,582

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	96.60	-	-	-	-	187
May	98.70	-0.20	98.80	98.35	134	3,244
Jul	101.00	-0.25	101.10	100.75	47	1,148
Sep	93.00	-	93.00	93.00	10	33
Nov	95.00	+0.15	94.75	94.75	10	2,102
Jan	97.00	+0.15	97.00	96.75	38	428
Total					249	7,361

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	374.00	-2.00	376.00	369.00	62	256
May	378.00	-1.00	380.00	372.00	10,382	27,319
Jul	368.25	+0.25	370.50	363.50	20,707	41,388
Sep	370.00	-0.75	372.00	365.50	1,105	4,285
Dec	378.00	-1.00	379.50	372.00	807	4,647
Mar	379.00	-	379.00	375.00	8	78
Total					33,171	78,148

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	300.75	+3.00	301.50	295.25	6,749	14,068
May	298.25	+3.75	299.00	292.00	56,861	184,843
Jul	288.00	+4.50	288.75	281.50	21,097	109,978
Sep	289.25	+6.75	289.50	282.00	1,852	15,894
Dec	287.00	+6.25	288.00	276.00	12,305	72,314
Mar	291.50	+6.00	291.75	285.50	416	6,623
Total					101,443	396,281

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	90.00	+0.50	90.00	90.00	15	52
May	90.50	+0.25	90.50	90.50	10	145
Sep	91.00	+0.25	-	-	-	28
Nov	93.00	+0.25	93.00	93.00	5	400
Jan	95.00	+0.25	-	-	-	32
Total					30	657

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	821.00	-1.50	825.00	812.00	2,532	3,207
May	828.50	-	834.00	815.00	63,583	85,525
Jul	830.75	-0.75	837.00	819.00	25,806	58,508
Aug	822.00	-1.50	827.50	813.00	2,707	8,077
Sep	766.25	-2.25	774.00	763.50	1,048	4,726
Nov	719.00	-3.50	728.00	715.25	11,961	30,753
Total					107,755	193,879

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	24.65	-0.02	25.27	24.80	4,713	4,183
May	25.27	-0.07	25.68	25.18	17,801	55,410
Jul	25.66	-0.10	26.07	25.53	5,618	29,821
Aug	25.80	-0.05	26.15	25.75	1,500	5,487
Sep	25.90	-0.07	26.20	25.85	142	3,264
Oct	26.00	-0.10	26.15	25.93	110	3,048
Total					31,651	111,488

■ SOYABEAN MEAL CBT (100 tons; \$/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	266.4	-1.1	268.5	263.5	4,293	4,266
May	266.0	-	267.2	262.5	18,179	48,436
Jul	263.0	-0.9	264.7	260.8	7,440	28,847
Aug	256.8	-0.5	257.5	254.5	2,295	8,061
Sep	243.7	+0.2	245.0	242.0	1,123	5,143
Oct	224.8	-0.7	226.5	224.5	390	4,180
Total					33,167	108,380

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	51.8	+0.3	52.0	51.0	19	763
May	57.7	+0.2	57.8	57.5	16	292
Jun	60.0	-	-	-	-	-
Nov	59.0	-	-	-	-	2
Mar	94.0	-	-	-	-	-
Apr	108.5	-	108.5	108.5	5	691
Total					40	1,748

■ FREIGHT (BIFFEX) LIFFE (\$10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1505	-13	1520	1515	14	494
Apr	1598	-22	1625	1598	122	1,150
May	1565	-20	1580	1565	104	372
Jul	1320	-20	1340	1330	14	898
Oct	1425	-17	1430	1425	10	234
Jan	1440	-15	-	-	-	47
Total					264	2,995

	Close	Prev
BFI	1465	1454

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	984	-	-	-	-	867
May	1006	-	1007	989	1,578	32,525
Jul	1015	+1	1017	998	1,003	14,701
Sep	1020	+3	1021	1004	184	12,817
Dec	1023	+3	1024	1006	1,494	23,057
Mar	1038	+2	1040	1026	2,567	20,810
Total					7,948	128,742

■ COCOA CSCE (10 tonnes; \$/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1461	+48	-	-	12	11
May	1454	+40	1477	1403	7,428	30,650
Jul	1474	+35	1491	1430	2,938	19,713
Sep	1493	+34	1506	1452	274	11,945
Dec	1520	+34	1530	1479	476	7,642
Mar	1548	+36	1560	1500	65	17,658
Total					11,358	85,167

■ COCOA (ICCO) (SDR's/tonne)

Mar 12	Price	Prev. day
Daily	1113.43	1115.02

■ COFFEE LIFFE (\$/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1712	-43	1722	1700	98	2,024
May	1694	-41	1702	1672	2,629	25,908
Jul	1684	-48	1692	1655	1,550	10,687
Sep	1675	-47	1683	1655	866	5,163
Nov	1650	-47	1655	1635	185	2,405
Jan	1630	-48	-	-	-	606
Total					5,328	46,845

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	202.00	-13.65	213.00	202.00	149	860
May	182.25	-13.85	194.50	181.00	7,518	22,141
Jul	166.70	-14.50	178.75	165.00	1,778	7,859
Sep	155.50	-12.40	165.50	161.90	741	4,758
Dec	141.00	-11.85	151.50	146.85	425	3,290
Mar	131.25	-13.75	144.00	139.25	150	708
Total					10,761	38,879

■ COFFEE (ICO) (US cents/pound)

Mar 12		Prev. day
Comp. daily	145.09	148.52
15 day average	135.47	134.01

■ WHITE SUGAR LIFFE (\$/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	304.5	-0.2	305.5	303.5	1,259	14,333
Aug	303.5	-0.2	304.1	302.5	192	4,501
Oct	300.2	-0.3	300.6	299.2	78	3,089
Dec	299.7	-0.7	300.5	299.2	21	911
Mar	300.3	-0.4	302.5	301.5	106	536
May	300.7	+0.8	-	-	-	159
Total					1,656	23,536

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	10.76	-0.01	10.81	10.69	12,410	69,792
Jul	10.52	-0.03	10.57	10.47	2,435	34,744
Oct	10.45	-0.05	10.53	10.43	1,848	25,209
Mar	10.46	-0.01	10.55	10.47	1,037	12,222
May	10.50	-0.01	10.55	10.50	345	2,157
Jul	10.50	-0.01	10.53	10.53	411	1,251
Total					18,487	145,725

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	75.60	-0.55	75.99	75.15	11,477	36,610
Jul	76.75	-0.38	77.00	76.40	3,310	16,080
Oct	77.12	-0.33	77.25	76.90	57	1,373
Dec	77.34	-0.16	77.50	77.10	1,977	20,937
Mar	78.15	-0.15	78.10	77.90	223	1,564
May	78.55	-0.17	78.40	78.30	2	486
Total					17,046	77,848

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	83.30	+1.35	85.15	81.65	2,810	14,913
Jul	85.90	+1.40	87.20	84.50	762	5,068
Sep	87.90	+1.35	88.90	86.60	137	3,835
Nov	89.90	+1.15	91.00	90.00	85	1,067
Jan	91.15	+0.90	91.75	90.00	51	671
Mar	92.65	+0.40	92.50	92.00	31	291
Total					3,876	25,960

Wool
Prices paid at Australian auctions this week showed little change. With Australia the chief source of internation trade, what mattered to buyers was the growing strength in the Australian dollar against the US dollar as well as other major currencies. A firm market in Australian cents meant a dearer market for those buying wool and importing it for processing. The Eastern Market Indicator, the main Australian guide, was just 4 Australian cents up on the week at 626 cents a kg. The average price forecast by Wool International for the 1996-97 season is still expected to be around 600 Australian cents if current levels are maintained, which seems likely. New Zealand remained relatively weak, with 37 per cent of the offering withdrawn at growers' reserves this week and prices for broader micron wool tending softer.

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Mar 13	Mar 12	month ago	year ago
2001.9	2018.5	1971.4	2134.3

■ CRB Futures (Base: 1967 = 100)

Mar 12	Mar 11	month ago	year ago
245.13	247.14		

■ GSCI Spot (Base: 1970 = 100)

Mar 12	Mar 10	month ago	year ago
192.98	192.71	192.83	195.79

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	68.325	-0.500	68.775	68.250	14,292	38,618
Jun	64.625	-0.350	64.825	64.325	4,764	25,008
Aug	63.225	-0.350	63.550	63.025	2,087	20,415
Oct	66.800	-0.100	66.950	66.675	1,052	14,581
Dec	68.850	-0.050	68.975	68.675	503	6,956
Feb	70.225	-0.075	70.325	70.050	420	2,841
Total					23,076	108,825

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	69.425	+0.350	69.850	68.700	3,757	11,551
Jun	76.775	+0.475	76.850	76.000	2,974	11,562
Jul	75.475	+0.500	75.550	74.800	631	2,809
Aug	72.050	+0.175	72.300	71.700	337	2,402
Oct	66.200	+0.250	66.200	65.800	56	1,448
Dec	64.050	+0.100	64.150	63.800	84	914
Total					7,839	31,248

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Mar	74.500	+0.875	74.500	72.800	253	284
May	75.125	+0.700	75.400	73.800	2,304	4,987
Jul	74.950	+0.450	75.200	73.900	312	1,487
Aug	72.200	+0.125	72.900	71.800	38	547
Feb	70.150	-0.400	72.200	70.000	32	39
Total					2,939	7,312

LONDON TRADED OPTIONS

Strike price \$ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1600	57	100	13	38
1650	28	72	34	59
1700	11	50	67	85
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2250	132	119	2	83
2350	60	74	35	136
2450	19	43	84	203
■ COFFEE LIFFE	May	Jul	May	Jul
1650	121	183	77	149
1700	95	160	101	176
1750	75	142	131	206
■ COCOA LIFFE	May	Jul	May	Jul
975	50	72	18	32
1000	35	58	29	43
1025	26	47	45	57
■ BRENT CRUDE IPE	Apr	May	Apr	May
1900	-	90	8	-
1950	-	67	-	-
2000	-	43	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	\$18.22-8.36w	+0.225
Brent Blend (dated)	\$19.25-9.28	+0.39
Brent Blend (Apr)	\$19.90-8.92	+0.49
W.T.I.	\$20.76-0.78w	+0.355

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	\$213-215	
Gas Oil	\$170-172	+2
Heavy Fuel Oil	\$81-83	+1.5
Naphtha	\$195-199	+1.5
Jet fuel	\$192-194	+2
Diesel	\$181-183	+2

■ NATURAL GAS (Pence/therm)

Bacton (Mar)	9.70-9.90	

Petroleum Argus. Tel. London (0171) 359 8792

IPE (Apr)	9.900	+0.115

■ OTHER

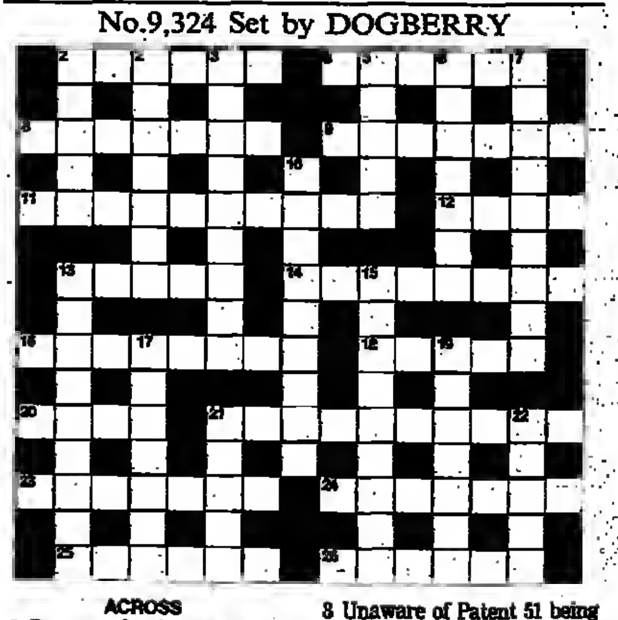
Gold (per troy oz)♣	\$352.55	-0.40
Silver (per troy oz)♣	527.00c	
Platinum (per troy oz.)	\$382.00	+1.50
Palladium (per troy oz.)	\$152.00	+0.50
Copper	118.0c	-3.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.47r	+0.11
Tin (New York)	280.50	+2.00
Cattle (live weight)	98.92p	+0.98*
Sheep (live weight)	150.75p	+5.70*
Pigs (live weight)†	85.13p	+1.52*
Lon. day sugar (raw)	\$269.80	-3.40
Lon. day sugar (wte)	\$308.50	-1.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Apr)¥	79.75p	
Rubber (May)¥	79.75p	
Rubber (KL RSS No1)	307.0r	+1.0
Coconut Oil (Phil)§	745.0y	-6.0
Palm Oil (Malay.)§	540.0	-10.0
Copra (Phil)§	\$490.0y	
Soyabeans (US)	230.0	-3.0
Cotton Outlook'A' Index	82.20	-0.15
Wooltops (64s Super)	413p	-5

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. in Malaysian cents/kg. w Apr y Apr/May¥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,553 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,324 Set by DOGBERRY



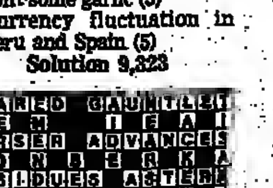
ACROSS

1 Return of aristocrat with great ape (6)
4 US city's protected by alias of US state (6)
8 Abruptly admitting love, or a type thereof (7)
9 About to search after neat dandy (7)
11 Missing line from Paradise Lost, say? (5,5)
12 Bird left boat (4)
13 System for transportation of lame troopers (5)
14 Hostility to medic with decoration and lots of clothes (8)
16 Model lines etc, replacing king in state (5,3)
18 Characteristic of peacocks and lions (5)
20 Dracula loses his temper with a foxy lady (4)
21 Light support for poorly balanced artist (10)
23 Turned cheek to cat in the passenger seat (7)
24 Quiet turn of phrase, maybe (7)
25 City's right to lose head about the east (6)
26 Header unlikely to stick (6)

DOWN

1 Fiend starts to get hang of underworld life (5)
2 Noble graduate raised voice (7)
3 Unaware of Patent 51 being included (9)
5 Promiscuous, serving the convenience of the Home Counties (5)
6 Lay out cure-alls, short of one line (7)
7 Impressive black naval officer without energy (9)
10 Snugly idle women in white coat (9)
13 Sea fish put in spread (9)
15 Her exercises: rising, tear round and tear off a strip (9)
17 Compiler's sign of life provides stimulus (7)
19 Scottish story of Russian with garden tool (7)
21 Split some garlic (5)
22 Currency fluctuation in Peru and Spain (5)

Solution 9,323



CURRENCIES AND MONEY

Dollar gains as traders eye rate rise

MARKETS REPORT

By Simon Kuper

The dollar rallied from early lows late yesterday as strong US retail sales data for January and February raised prospects of a Federal Reserve rate increase this month.

Growing numbers of economists now expect a rate rise to follow the Federal Open Market committee meeting, which starts on March 25. Mr Michael Burke, senior economist at Citibank in London said: "The US economy has moved from what can be characterised as a solid business expansion to outright boom."

However, the Fed's Beige Book published yesterdsy suggested that price and wage pressures in the economy remained modest.

The dollar's rise was capped by the fall in US stocks and bonds on the sales figures.

In late US trading the dollar had firmed to DM1.704 sgainst the D-Mark and Y123.2 against the yen, helped by one large buy order.

But the gains were modest, as the market remained without clear direction. The dollar's advance of the last few months has all but stalled in recent days. Currency strategists said traders are still uncertain whether the recent stronger economic data from Japan and Germany herald a fall in the US currency. Yesterday the yen failed to benefit from slightly better than expected Japanese gross domestic product figures.

The dollar's gains buoyed sterling, which recovered some of the ground it had lost over the last week. The pound found strong support at DM2.700 against the D-Mark, and returned to above the key level of $1.5950 against the dollar. Sterling gained little impetus from remarks by Mr Eddie George, governor of the Bank of England, who late on Wednesday repeated earlier Bank calls for a rate rise. By the US afternoon the pound had risen to DM2.722 against the D-Mark, 1.2 pfennigs above Wednesday's London close, and to $1.598 against the dollar.

The lira, weak in early trading, recovered in the London afternoon after the Italian government struck a deal with its Communist allies over employment issues. The lira firmed to L995.2 against the D-Mark. The Bank of Italy had been seen intervening in the market after the currency had fallen below L997. Mr Burke said the bank had "done a very good job" at steadying the lira in recent days while Italian bonds fell on fears of a delay to European monetary union. But he forecast thet pressure on the lira would return.

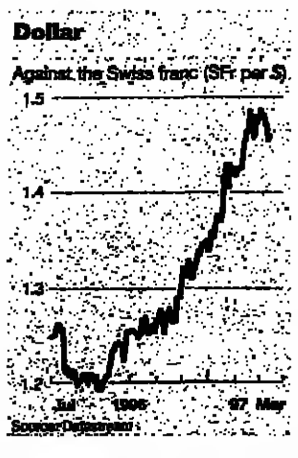
The French franc rose to FFr3.371 against the D-Mark, its peak for most of 1996.

■ The Swiss franc gained against both the D-Mark and the dollar, bucking the trend of most of the last year. Mr Georg Rich, chief economist of the Swiss National Bank, buoyed the currency when he said its present levels were "not an obstacle to Swiss economic recovery". For several months previously the central bank had signalled that it was content to see the franc fall.

Foreign exchange strategists said the Swiss franc was also profiting from the recent sell-off of peripheral European and emerging market bonds. Many investors had sold Swiss francs to fund purchases of these high yielders. Now that they were selling the bonds, partly on fears of a delay to Emu and partly because of the expected rise in US rates, the Swiss franc was climbing. It rallied from SFr0.862 to SFr0.858 against the D-Mark, and from SFr1.466 to SFr1.460 against the dollar.

■ SBC Warburg is telling clients that the chance of Emu taking place on schedule has fallen from 80 per cent to 60 per cent, at least until the critical months of May and June are over.

That is when the revised German economic growth and tax forecasts for 1997 appear, says Mr Stephen Yorke, the bank's director of political research in London. The forecast figures will give the best indication yet as to wbether Germany will meet some of the key fiscal criteria for Emu. If the figures are weak, says the bank, there would be public debate within the Bundestag and the Bundesrat as to whether Germany requires a mini-budget or wbether Emu should be delayed.



■ Pound in New York

Mar 13	—Latest—	— Prev. close —
£ spot	1.5975	1.5985
1 mth	1.5968	1.5977
3 mth	1.5950	1.5960
1 yr	1.5892	1.5900

■ OTHER CURRENCIES

Mar 13	£	$
Czech Rp	46.4557 - 46.5407	29.0930 - 29.1260
Hungary	282.602 - 282.859	176.980 - 177.030
Iran	4793.40 - 4790.40	3000.00 - 3000.00
Kuwait	0.4845 - 0.4849	0.3034 - 0.3035
Poland	4.9197 - 4.9280	3.0810 - 3.0830
Russia	9108.15 - 9117.05	5704.00 - 5706.00
U.A.E.	5.8619 - 5.8687	3.6710 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Mar 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.1246	+0.0505	147 - 345	18.1376	18.0138	19.0811	2.7	19.0246	2.1	-	-	103.7
Belgium	(BFr)	56.0509	+0.1386	934 - 083	56.1083	55.7400	55.9259	2.7	55.8659	2.7	54.3409	3.1	103.6
Denmark	(DKr)	10.3684	+0.0237	636 - 732	10.3779	10.3113	10.3464	2.5	10.3029	2.5	10.0929	2.7	105.9
Finland	(FM)	8.1043	+0.0052	961 - 124	8.1160	8.0690	-	-	-	-	-	-	83.6
France	(FFr)	9.1582	+0.0126	537 - 626	9.1754	9.1186	9.1361	2.9	9.0924	2.9	8.8753	3.1	106.5
Germany	(DM)	2.7174	+0.0071	160 - 187	2.7203	2.7023	2.7107	2.9	2.6972	3.0	2.6305	3.2	105.3
Greece	(Dr)	427.102	+1.85	745 - 459	428.078	424.573	-	-	-	-	-	-	66.4
Ireland	(I£)	1.0245	+0.0001	237 - 252	1.0263	1.0221	1.0242	0.4	1.0233	0.5	1.0167	0.8	102.6
Italy	(L)	2704.63	+2.07	274 - 651	2713.06	2694.42	2708.03	-1.5	2712.88	-1.2	2715.68	-0.4	76.0
Luxembourg	(LFr)	56.0509	+0.1386	934 - 083	56.1083	55.7400	55.9259	2.7	55.8659	2.7	54.3409	3.1	103.6
Netherlands	(Fl)	3.0570	+0.0083	556 - 583	3.0604	3.0413	3.0489	3.2	3.0331	3.1	2.9576	3.3	103.2
Norway	(NKr)	10.9200	+0.0825	149 - 250	10.9517	10.7929	10.8955	2.7	10.847	2.7	10.6215	2.7	102.3
Portugal	(Es)	272.987	+1.141	781 - 192	273.240	271.405	273.127	-0.6	273.412	-0.6	-	-	94.7
Spain	(Pta)	230.594	+0.716	482 - 706	230.710	229.290	230.727	-0.7	230.594	0.0	229.118	0.6	77.9
Sweden	(SKr)	12.2527	+0.018	436 - 617	12.2740	12.1854	12.2337	1.9	12.1942	1.9	11.9982	2.1	84.1
Switzerland	(SFr)	2.3311	-0.0043	297 - 325	2.3372	2.3162	2.3223	4.6	2.3044	4.6	2.2203	4.8	103.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	97.0
Ecu	-	1.3985	+0.0036	966 - 004	1.4020	1.3920	1.3973	1.9	1.3926	2.0	1.3675	2.3	-
SDR†	-	1.158630	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5970	+0.0043	965 - 075	1.6055	1.5953	-	-	-	-	-	-	-
Brazil	(R$)	1.6857	+0.0086	849 - 865	1.6973	1.6842	-	-	-	-	-	-	-
Canada	(C$)	2.1769	+0.0062	758 - 780	2.1879	2.1742	2.171	3.2	2.1603	3.1	2.1157	2.8	86.0
Mexico	(New Peso)	12.7704	+0.0957	584 - 824	12.8112	12.7273	-	-	-	-	-	-	-
USA	($)	1.5973	+0.0043	968 - 978	1.6058	1.5956	1.5964	0.7	1.5946	0.7	1.5878	0.6	104.2
Pacific/Middle East/Africa													
Australia	(A$)	2.0155	+0.0113	136 - 174	2.0278	2.0113	2.0154	0.1	2.0146	0.2	2.0105	0.2	99.2
Hong Kong	(HK$)	12.3690	+0.0336	643 - 737	12.4342	12.3566	12.3643	0.5	12.3534	0.5	12.3133	0.5	-
India	(Rs)	57.2473	+0.1589	894 - 051	57.5760	57.1894	-	-	-	-	-	-	-
Israel	(Shk)	5.3812	+0.0181	747 - 876	5.3912	5.3729	-	-	-	-	-	-	-
Japan	(Y)	196.146	+0.798	007 - 290	197.290	195.070	195.179	5.9	193.316	5.8	184.709	5.8	123.5
Malaysia	(M$)	3.9550	+0.0126	529 - 570	3.9760	3.9513	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2847	+0.0278	831 - 862	2.3025	2.2758	2.2876	-1.5	2.2927	-1.4	2.3129	-1.2	116.1
Philippines	(Peso)	42.0449	+0.1131	958 - 940	42.0940	41.9858	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9906	+0.0163	885 - 927	6.0222	5.9845	-	-	-	-	-	-	-
Singapore	(S$)	2.2910	+0.0076	895 - 925	2.3018	2.2894	-	-	-	-	-	-	-
South Africa	(R)	7.0289	+0.0062	243 - 335	7.0626	7.0183	-	-	-	-	-	-	-
South Korea	(Won)	1403.23	+5.37	980 - 885	1410.70	1399.60	-	-	-	-	-	-	-
Taiwan	(T$)	43.9737	+0.1024	280 - 194	44.2013	43.9280	-	-	-	-	-	-	-
Thailand	(Bt)	41.4340	+0.1119	050 - 629	41.6350	41.4040	-	-	-	-	-	-	-

† Rates for Mar 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market, but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.9731	-0.0008	708 - 755	11.9755	11.8980	11.9584	1.5	11.9131	2.0	11.7161	2.1	103.5
Belgium	(BFr)	35.0910	-0.009	660 - 160	35.1160	34.8700	35.031	2.1	34.9035	2.1	34.3635	2.1	103.6
Denmark	(DKr)	6.4912	-0.0026	902 - 922	6.4927	6.4506	6.4823	1.6	6.4639	1.7	6.3822	1.7	105.3
Finland	(FM)	5.0737	-0.0105	702 - 772	5.0775	5.0479	5.0649	2.1	5.0461	2.2	4.9637	2.2	82.9
France	(FFr)	5.7335	-0.0076	325 - 345	5.7372	5.7091	5.7228	2.2	5.7016	2.2	5.5935	2.4	106.1
Germany	(DM)	1.7012	-0.0002	009 - 015	1.7015	1.6905	1.688	2.3	1.6915	2.3	1.6578	2.6	104.9
Greece	(Dr)	267.390	+0.44	250 - 530	267.800	265.690	268.945	-7.0	271.515	-6.2	282.54	-5.7	66.4
Ireland	(I£)	1.5592	+0.0041	585 - 598	1.5683	1.5568	1.5587	0.3	1.5582	0.3	1.5595	0.0	-
Italy	(L)	1693.25	-3.28	260 - 390	1695.20	1685.59	1696.25	-2.1	1701.1	-1.9	1710.9	-1.0	75.8
Luxembourg	(LFr)	35.0910	-0.009	660 - 160	35.1160	34.8700	35.031	2.1	34.9035	2.1	34.3635	2.1	103.6
Netherlands	(Fl)	1.9139	-0.0012	136 - 141	1.9141	1.9026	1.9101	2.4	1.9021	2.5	1.8665	2.5	103.1
Norway	(NKr)	6.8365	+0.0333	355 - 375	6.8525	6.7477	6.8327	0.7	6.8271	0.5	6.6015	0.5	102.1
Portugal	(Es)	170.905	+0.255	830 - 980	170.980	170.000	171.035	-0.9	171.185	-0.7	170.92	0.0	95.3
Spain	(Pta)	144.365	+0.06	340 - 390	144.390	143.410	144.456	-0.8	144.575	-0.6	144.37	0.0	77.8
Sweden	(SKr)	7.6709	-0.0107	676 - 741	7.6757	7.6245	7.6681	0.4	7.6582	0.7	7.6109	0.8	83.7
Switzerland	(SFr)	1.4594	-0.0088	590 - 390	1.4598	1.4480	1.4546	3.9	1.4452	3.9	1.3997	4.1	103.1
UK	(£)	1.5973	+0.0043	968 - 678	1.6058	1.5956	1.5964	0.7	1.5946	0.7	1.5878	0.6	96.6
Ecu	-	1.1414	+0.0001	410 - 417	1.1470	1.1410	1.1425	-1.2	1.1451	-1.3	1.1608	-1.7	-
SDR†	-	0.72833	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0554	+0.0013	552 - 555	1.0570	1.0547	-	-	-	-	-	-	-
Canada	(C$)	1.3629	-0.0017	626 - 631	1.3635	1.3600	1.36	2.5	1.3548	2.4	1.3334	2.2	85.8
Mexico	(New Peso)	7.9950	+0.0385	900 - 000	8.0020	7.9900	8.113	-17.7	8.3795	-19.2	9.24	-15.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	104.9
Pacific/Middle East/Africa													
Australia	(A$)	1.2616	+0.0037	610 - 626	1.2626	1.2610	1.2625	-0.7	1.2633	-0.5	1.2686	+0.5	101.9
Hong Kong	(HK$)	7.7437	+0.0002	432 - 442	7.7442	7.7432	7.7436	0.0	7.7441	0.0	7.7552	-0.1	-
India	(Rs)	35.8400	+0.003	150 - 650	35.8650	35.8150	36.055	-7.2	36.515	-7.5	-	-	-
Israel	(Shk)	3.3680	+0.0022	659 - 719	3.3719	3.3575	-	-	-	-	-	-	-
Japan	(Y)	122.800	+0.17	750 - 850	122.850	122.000	122.265	5.2	121.24	5.1	116.44	5.2	124.6
Malaysia	(M$)	2.4780	+0.0012	755 - 785	2.4773	2.4733	2.4788	-1.4	2.4842	-1.3	2.5065	-1.2	-
New Zealand	(NZ$)	1.4303	+0.0136	296 - 308	1.4308	1.4339	1.4326	-1.9	1.4369	-1.8	1.4576	-1.9	-
Philippines	(Peso)	26.3225	-	000 - 450	26.3450	26.3000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0001	503 - 506	3.7506	3.7503	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4343	+0.0009	338 - 348	1.4356	1.4330	1.4321	1.9	1.4275	1.9	1.4063	2.0	-
South Africa	(R)	4.4005	+0.008	990 - 020	4.4075	4.3920	4.4412	-11.1	4.5162	-10.5	4.631	-9.9	-
South Korea	(Won)	878.500	+1	500 - 500	880.500	876.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.5300	-0.01	100 - 500	27.5500	27.5100	27.5301	0.0	27.5303	0.0	-	-	-
Thailand	(Bt)	25.9400	-	300 - 500	25.9500	25.9260	26.03	-4.2	26.1975	-4.0	26.835	-3.5	-

† SDR rate per $ for Mar 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 12: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

March 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.25	6.75	7.35
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.19	5.25	5.35	5.61	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¼ - 3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	3⅛ - 3	3⅛ - 3	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.62	96.63	-	96.64	96.62	6,073	41,510
Jun	96.52	96.54	-0.01	96.55	96.51	20,851	69,672
Sep	96.43	96.45	-	96.45	96.41	13,984	43,050

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.73	96.74	+0.01	96.74	96.73	9762	162213
Jun	96.72	96.73	-	96.74	96.71	28202	198821
Sep	96.61	96.62	-	96.63	96.60	24087	176296
Dec	96.44	96.45	-	96.46	96.42	32496	187915

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9250	0.14	0.60	0.90	0.01	0.09	0.17
9275	0.01	0.42	0.71	0.13	0.16	0.23
9300	0	0.27	0.55	0.37	0.26	0.32

Est. vol. total, Calls 4456 Puts 1640. Previous day's open int., Calls 193454 Puts 95801

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.50	16.34	4.847	1.829	4824	5.454	16.50	486.9	411.2	21.86	4.159	1.784	3.884	2.849	349.9	2.496
Denmark	(DKr)	54.05	10	8.831	2.620	0.988	2608	2.948	10.54	263.2	222.3	11.81	2.248	0.964	2.099	1.540	189.1	1.349
France	(FFr)	61.20	11.32	10	2.967	1.119	2953	3.338	11.93	298.0	251.7	13.38	2.545	1.092	2.377	1.744	214.1	1.528
Germany	(DM)	20.63	3.817	3.371	1	0.377	995.2	1.125	4.023	100.4	84.84	4.509	0.858	0.368	0.801	0.588	72.18	0.515
Ireland	(I£)	54.68	10.12	8.935	2.651	1	2638	2.982	10.66	266.2	224.9	11.95	2.274	0.976	2.124	1.558	191.3	1.365
Italy	(L)	2.073	0.384	0.339	0.100	0.038	100.	0.113	0.404	10.09	8.524	0.453	0.086	0.037	0.081	0.059	7.252	0.052
Netherlands	(Fl)	18.33	3.392	2.996	0.889	0.335	884.5	1	3.575	89.27	75.40	4.007	0.763	0.327	0.712	0.522	64.15	0.458
Norway	(NKr)	51.28	9.488	8.379	2.486	0.938	2474	2.797	10	249.7	210.9	11.21	2.133	0.915	1.992	1.461	179.4	1.280
Portugal	(Es)	20.54	3.800	3.356	0.996	0.376	990.8	1.120	4.005	100.	84.46	4.489	0.854	0.366	0.798	0.585	71.88	0.513
Spain	(Pta)	24.32	4.499	3.973	1.179	0.445	1173	1.326	4.742	118.4	100.	5.315	1.011	0.434	0.944	0.693	85.08	0.607
Sweden	(SKr)	45.76	8.465	7.476	2.218	0.837	2207	2.496	8.922	222.8	188.2	10	1.903	0.816	1.777	1.304	160.1	1.142
Switzerland	(SFr)	24.05	4.449	3.929	1.166	0.440	1160	1.311	4.689	117.1	98.88	5.255	1	0.429	0.934	0.685	84.13	0.600
UK	(£)	56.05	10.37	9.158	2.717	1.025	2704	3.057	10.93	272.9	230.5	12.25	2.331	1	2.177	1.597	196.1	1.399
Canada	(C$)	25.75	4.763	4.207	1.248	0.471	1242	1.404	5.021	125.4	105.9	5.627	1.071	0.459	1	0.734	90.08	0.643
US	($)	35.10	6.493	5.735	1.701	0.642	1693	1.914	6.844	170.9	144.3	7.671	1.460	0.626	1.363	1	122.8	0.876
Japan	(Y)	28.58	5.288	4.670	1.386	0.523	1379	1.559	5.574	139.2	117.5	6.247	1.189	0.510	1.110	0.814	100.	0.713
Ecu		40.06	7.412	6.546	1.942	0.733	1933	2.165	7.813	195.1	164.9	8.756	1.666	0.715	1.558	1.142	140.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5916	0.5880	-0.0029	0.5904	0.5880	15,403	58,944
Jun	0.5940	0.5912	-0.0030	0.5936	0.5912	32,810	58,588
Sep	0.5968	0.5955	-0.0024	0.5968	0.5955	64	2,369

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8196	0.8151	-0.0032	0.8158	0.8145	16,424	40,655
Jun	0.8288	0.8249	+0.0039	0.8267	0.8249	22,764	46,363
Sep	0.8370	0.8360	-0.0039	0.8370	0.8360	41	590

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6884	0.6856	-0.0030	0.6891	0.6856	9,088	21,639
Jun	0.6942	0.6917	-0.0031	0.6953	0.6917	30,924	35,189
Sep	8.7020	0.7015	+0.0001	0.7020	0.7015	73	1,856

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5986	1.5976	-0.0004	1.6028	1.5976	3,415	25,880
Jun	1.5956	1.5952	-0.0002	1.5998	1.5950	14,701	29,040
Sep	-	1.5932	-	1.5960	-	1	1,258

UK INTEREST RATES

LONDON MONEY RATES

BASE LENDING RATES

EMS EUROPEAN CURRENCY UNIT RATES

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (x)

4 Rue Jean Monnet, L-2180 Luxembourg

Fidelity Funds - Contd.

Fleming Group (m)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
GAM Multi-US US$	$714.96		+1.77	—
GAM Multi-US DM	DM135.58		+2.30	—
GAM Pacific	$867.32		—	—
GAM Pan Europa Fonds	SFr158.84		—	—
GAM Pan European	$148.53		—	—
GAM Science	$116.14		—	—
GAM Selection	$808.96		—	—
GAM £ Special Bond	£159.15		—	—
GAM SFr Special Bond	SFr107.28		—	—
GAM Singapore/Malaysia	$844.98		+3.97	—
GAM Tokyo	$124.97		—	—
GAM Trading DM	DM174.37		+1.51	—
GAM Trading US$	$282.31		+1.53	—
GAM Tyche	$630.99		—	—
GAM U.S.	$381.93		—	—
GAM Universal US$	$236.55		—	—

Asia Pacific Funds

	Selling Price	Buying Price	+ or -	Yield Gross
JF Asean Trust	$83.50	87.19	-0.30	—
JF Asian Bond	$9.65	10.32	—	—
JF Asia Select	$10.09	10.91	+0.14	—
JF Australia Tst	$7.95	8.42	-0.01	—
JF China Trust	$14.42	15.28	+0.03	—
JF Eastern Tst	$111.08	117.47	-0.98	—
JF Eastern Smaller Cos	$41.53	43.95	-0.31	—
JF Greater China	$10.70	11.33	-0.09	—
JF Hong Kong Tst	$18.38	20.48	-0.25	—
JF Japan Trust	Y10080	10675	-10	—
JF Japan OTC Tst	Y870	922	-7	—
JF Japan Small Co	Y32680	34621	-63	—
JF Japan Tech Tst	Y27793	29404	-71	—
JF Korea Trust	$7.68	8.05	+0.01	—

Global Asset Management - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
GAM Worldwide	$570.91		—	—
GAMerica	$583.92		—	—
GAMut Investments	$1308.94		—	—
GSAM Composite	$458.53		—	—
GSAM CHF Composite	SFr133.83		—	—
GSAM DM Composite	DM158.07		—	—
GSAM GBP Composite Inc	£104.03		—	—
GSAM Money Mkt US$	$100.99		+0.04	4.72
GSAM Omega Inc	$100.00		—	—
Do Sterling	£181.10		+0.04	5.24
Do Swiss Franc	SFr100.18		+0.01	1.00
Do Deutschmark	DM100.43		+0.01	1.59

Jardine Fleming Unit Trusts Ltd - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
JF Malaysia Tst	$38.78	41.04	-0.04	—
JF New Zealand Tst	$19.71	20.86	-0.07	—
JF Nomura Asia Tst	$16.13		—	—
JF Pacific Inc Tst	$14.84	15.71	-0.07	—
JF Pacific Smllr Cos Tst	$7.70	8.16	-0.04	—
JF Pacific Secs Tst	$57.72	61.07	-0.28	—
JF Pakistan Trust	$3.39	3.59	-0.06	—
JF Philippine Tst	$113.34	119.92	-0.22	—
JF Taiwan Trust	$15.58	16.51	+0.02	—
JF Thailand Tst	$26.60	28.15	+0.21	—
JF India	$24.15	25.55	+0.26	—

LONDON STOCK EXCHANGE

UK stocks hit by gloomy US rate outlook

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

Concerns that the March 25 meeting of the US Federal Reserve's Open Market Committee might bring an increase in US interest rates weighed heavily on European stock markets yesterday and London was no exception.

The FTSE 100 index was never comfortable yesterday, opening around 13 points lower and retreating to a session low of 4,394.0 shortly after Wall Street opened.

It closed the day 24.8 off at 4,397.7. The FTSE 250 stocks were also being sold, but never in big size, dealers said. The SmallCap looked like launching another attack on its all-time high, but ran out of steam to finish 0.1 off at 2,374.1.

Rate rise fears have reappeared over the past couple of sessions, driving Wall Street lower. The latter was pressured on Wednesday, when the Dow Jones Industrial Average lost 45 points and again at the opening yesterday when the Dow shed 30 within minutes of the bell. More worryingly for London, the Dow was 100 points weaker two hours after London closed.

Those losses came in the wake of a higher than expected 0.8 per cent increase in US retail sales in February. Weekly jobless claims fell 5,000. So with those two pieces of data pointing to a stronger US economy, the US bond market came under pressure.

London's stock market also had to contend with a sharp fall off in attendances across the City's dealing rooms, with many traders and fund managers seeking the counter attraction of the Cheltenham National Hunt racing festival, always one of the City's favourite events.

Gilts were instantly affected by the news from the US, slipping even further and eventually finishing the day between 9 and 12 ticks lower. That brought more pressure on an already unsteady UK equity market which embarked on a rapid slide.

Strategists said the US data was the latest to be on the high side of expectations and had increased perceptions that the Fed could raise rates. But one added that the chances of the Fed moving as soon as March 25 were no better than fifty-fifty, which meant the Dow could be volatile.

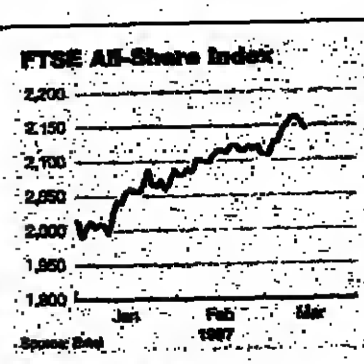
Dealers said London would have to contend with a period of consolidation on Wall Street plus the forthcoming general election, currency fluctuations and the continuing results season. Although there have been numerous corporate references to the impact of strong sterling recently, the effect on the market has been relatively light, but that might yet change dramatically.

Turnover at 6pm was 862.5m shares and was said to have been boosted by a series of small-scale programme trades.

Oil exploration stocks led the FTSE 100 performance table, mostly reflecting relief that Enterprise Oil did not launch the rumoured rights issue to finance a £1bn bid.

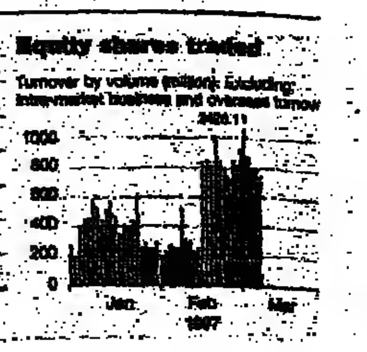
Downside stories in the FTSE 100 largely involved the retail stocks where Argos, relegated from the top index, is scheduled to announce figures on Monday.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4397.7	-24.8	FT 30	2907.3	-1[illegible]
FTSE 250	4720.2	-4.9	FTSE Non-Fins p/e	18.66	18[illegible]
FTSE 350	2175.2	-10.2	FTSE 100 Fut Mar	4387.0	-1[illegible]
FTSE All-Share	2146.80	-9.25	10 yr Gilt yield	7.38	7[illegible]
FTSE All-Share yield	3.54	3.52	Long gilt/equity yld ratio	2.12	2[illegible]

Best performing sectors

1 Textiles & Apparel .... +1.6
2 Oil Exploration & Prod .... +1.2
3 Extractive Inds .... +0.5
4 Life Assurance .... +0.4
5 Telecommunications .... +0.3

Worst performing sectors

1 Tobacco .... -[illegible]
2 Diversified Inds .... -[illegible]
3 Pharmaceuticals .... -[illegible]
4 Oil: Integrated .... -[illegible]
5 Leisure & Hotels .... -[illegible]

Oil group results please

By Peter John, Steve Thompson and Lisa Wood

Enterprise Oil jumped to the top of the Footsie performance chart yesterday as the production and exploration group managed to dispel acquisition talk. Analysts had anticipated a rights issue with the figures in order to help Enterprise load up for a bid.

In fact, the 40 per cent increase in 1996 profit after tax was accompanied by good news. Enterprise said it expected production to rise to 320,000 barrels of oil equivalent per day in 1999, raising its estimate from 300,000 previously. The dividend was above forecasts.

The two perceived targets were British-Borneo, and Monument Oil & Gas, although the company said it was still interested in acquisitions Mr Pierre Jungels, the chief executive, said he had no intention to bid for Monument and added that British-Borneo was operating in a specific niche of the offshore oil exploration sector, which was of no interest to Enterprise.

Enterprise moved forward 18¼ to 652p while British-Borneo initially fell more than 120p, but closed 2¼ up at £14.25. Monument ended 3 lower at 82½p.

United Biscuits strengthened 12¼ to 250p following results slightly above expectations for a group, which analysts said proved it had turned a corner.

There were improved margins in the UK, improved returns on capital, a better second half in Europe and Australia was as expected. Analysts said the surprise was the extent to which it had generated cash, which underpinned a better performance on financing costs.

Mr Michael Landymore, of Henderson Crosthwaite, said that this was only the second time in 10 years that the company had thrown off cash before acquisitions, disposals and share issues. Mr Carl Short of SGST said UB had "now turned the corner and was being rehabilitated with investors."

There has been speculation that the company might be prey to a bid. Analysts said the timing was right, but there were no specific rumours. A number of brokers edged up profit forecasts.

Shares in Christian Salvesen, the storage and distribution group, ran up 8¼ to 312p after the company's shareholders voted through a proposal to pay a special dividend and consolidate the share capital.

Some 69 per cent of the shareholders approved the moves with 30 per cent against.

Mr Roddy Sutherland, of the eponymous Edinburgh-based stockbroker advising Salvesen's rebel shareholders, said "The only reason to hold the shares now is on the basis that the company will be taken over."

Barclays closed up as speculative stories swirled around the stock. There was a strange rumour that the bank wanted to buy BNP of France and also rumours that it may want to offload its BZW securities arm.

The shares ended 2¼ up at £11.19½p.

NatWest fell 5 to 739p as the bank revealed its multi-million pound derivatives losses totalled nearly twice the amount initially thought and the problem had begun as long ago as December 1994.

N Brown was suspended, after falling 4 to 377½p, as it confirmed that it was in discussions with Sears about buying Freemans, the mail order business. The deal would necessitate N Brown making a rights issue.

Littlewoods last week said it was abandoning its proposed £390m purchase of Freemans, which was referred to the Monopolies and Mergers Commission, because it believed Sears was in discussions with other parties.

The deal would push N Brown into the number three spot, with about 14 per cent of the mail order market, after Great Universal Stores and Littlewoods.

Analysts viewed the expected deal positively. One said that N Brown, which has a reputation for catering for older and larger people, had a proven ability to sell through direct catalogues.

Freemans, in the context of the traditional agency mail order business, had a reputation for fashion and would give N Brown more access to this market. There would be benefits of critical mass and cost savings. Sears strengthened one penny to 81p.

Selected paper and packaging stocks performed strongly after BZW issued a basket of 20m one-year call warrants on the sector. Bunzl gained 10¼ to 232p and Arjo Wiggins Appleton 1¼ to 195¼p.

EMI, the music company, fell 41 to £11.95p with dealers citing a Merrill Lynch sell note.

Advertising group Cordiant gained 9¼ to 113½p as the company swung back into profit, promised 35 per cent earnings growth this year and, one analyst said, secured the Delta Airlines account, worth $100m.

Industrial conglomerate BTR fell 6 to 271p as investors sold the stock to lock in profits after a strong run. In the past two weeks the shares have risen more than 50p.

British Steel fell 3 to 155p on talk that BZW had downgraded their recommendation on the stock to "sell" from "hold".

MAID improved 16 to 188½p after the information provider announced results in-line with expectations and predicted a profitable 1997.

Rentokil Initial gave up 12¼ to 403p in the wake of Wednesday's results. NatWest advised clients to 'reduce' holdings.

Molins, the maker of cigarette machinery, slid 70 to 830p. The company warned that there would be no earnings growth in 1997 until the order flow improved.

General Cable lifted 3 to 196½p. The cable communications supplier said it had bought Imminus, a managed data network, for £33m.

Ladbroke rose 4 to 242½p, with the market said to be short of stock. There was profit-taking in Bass, which weakened 10 to 843½p, with one analyst suggesting the company was not being very bullish in comments it was making to the City.

Coats Viyella recovered 6 to 136½p as the textiles group maintained the dividend despite a sharp fall in profits. Mr Neville Bain, the outgoing chief executive, said the decision to maintain the 1996 dividend was a "sign of strong confidence for 1997".

General Accident dropped 10 to 831½p as UBS repeated a "sell" recommendation. Legal & General climbed 5¼ to 411½p after the insurer announced a 15.4 per cent rise in operating profits and predicted strong dividend growth. Credit Lyonnais Laing, Dresdner Kleinwort Benson and HSBC James Capel were all said to be keen on the stock.

FT 30 INDEX

	Mar 13	Mar 12	Mar 11	Mar 10	Mar 7	Yr ago	*High	*Low
FT 30	2907.3	2922.6	2927.9	2931.4	2920.3	2758.2	2931.4	2668.8
Ord. div. yield	3.88	3.85	3.84	3.85	3.87	3.92	4.22	3.78
P/E ratio net	17.93	18.04	18.08	18.07	17.97	16.61	18.09	15.80
P/E ratio nil	17.71	17.82	17.87	17.34	17.75	16.28	17.87	15.71

FT 30 since compilation: high 2985.2 18/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2915.9	2909.1	2910.2	2915.0	2915.8	2914.5	2905.9	2903.6	2906.4	2916.1	2903.2

	Mar 13	Mar 12	Mar 11	Mar 10	Mar 7	Yr ago
SEAQ bargains	53,471	54,138	58,920	56,968	52,770	36,957
Equity turnover (£m)†	-	NA	NA	2529.3	2189.2	2400.9
Equity bargains†	-	NA	NA	54,728	39,853	42,182
Shares traded (mil)†	-	NA	NA	88.2	748.4	779.4

†Excluding intra-market and overseas turnover.

	Mar 13	Mar 12	Mar 11	Mar 10	Mar 7	Yr ago	*High	*Low
FTSE AIM	1133.9	1135.5	1135.5	1133.6	1131.1	968.3	1140.4	965.7

 *For 1996/97.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	385	Total Highs	117	Total contracts	58,733
Total Falls	808	Total Lows	28	Calls	25,022
Same	1,230			Puts	38,711

Mar 13 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4397.0	4387.0	-19.0	4400.0	4373.0	16734	4574[illegible]
Jun	4417.0	4408.5	-19.0	4420.0	4394.0	5754	2630[illegible]
Sep	-	4433.0	-20.0	-	-	0	238[illegible]

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	4736.0	-4.0	-	-	0	464[illegible]
Jun	-	4759.0	-4.0	-	-	0	157[illegible]

■ FTSE 100 INDEX OPTION (LIFFE) (*4398) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996/97 High	1996/97 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	3.18	111½	103½	†Anglo-Welsh	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§125	F.P.	21.1	148½	121½	†Aortech	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§100	F.P.	25.0	100	100	Aurora Inv Tr[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§60	F.P.	25.8	84	51½	†Birmingham [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§	F.P.	8.87	180	128½	†C&B Publishing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§	F.P.	1.60	1½	½	†Do Warrants	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
*	F.P.	-	17½	13½	†Cambridge M[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
75½	F.P.	2,899	77½	55	Centrica	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§250	F.P.	95.4	335	305	Core Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§200	F.P.	12.2	270	240	†Dobbies Gar[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
525	F.P.	2,896	570½	517	Energy Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§160	F.P.	24.5	188½	176½	Grovand Cah[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§28	F.P.	5.90	31½	28½	Howle	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§125	F.P.	33.7	179	141½	†Infobank Intl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§140	F.P.	20.4	171	157½	Nord Anglo Ed[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§	F.P.	85.4	292½	220	Pad Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§100	F.P.	30.0	100	99	RiverAlliance 1[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§	F.P.	10.8	6	3¼	†Screen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	F.P.	13.1	82½	47½	TR Euro Gwth[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§	F.P.	28.7	128½	85½	Technoplast	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§110	F.P.	122.1	124½	119½	Usher Tiowbrid[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§40	F.P.	5.93	43½	40½	†VFG	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Mar 12	% chg on day	Mar 11	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1809.79	-0.8	1819.82	2264.76	1.67	-	2486.53	1674.81
■ Regional Indices								
Africa (14)	2152.29	+0.8	2139.37	3084.90	4.19	32.01	3252.18	1918.45
Australasia (9)	2071.17	-0.2	2075.58	2624.28	2.44	22.14	2844.14	1941.72
North America (12)	1684.43	-1.0	1702.23	1984.53	0.53	64.42	2134.81	1550.58

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Mar 13	Day's chge%	Mar 12	Mar 11	Mar 10	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4397.7	-0.6	4422.5	4444.3	4437.4	3881.8	3.88	2.10	16.23	21.90	1849.14
FTSE 250	4720.2	-0.1	4725.1	4729.4	4729.2	4232.8	3.35	1.48	25.27	14.59	1940.89
FTSE 250 ex IT	4763.6	-0.1	4768.9	4771.8	4773.8	4264.6	3.43	1.50	24.28	14.54	1963.46
FTSE 350	2175.2	-0.5	2185.4	2194.3	2191.6	1847.9	3.80	1.98	17.56	8.96	1867.94
FTSE 350 Higher Yield	2101.8	-0.5	2112.2	2117.8	2112.4	1814.1	4.69	1.88	14.36	8.23	1521.63
FTSE 350 Lower Yield	2255.4	-0.4	2265.1	2277.8	2277.8	1888.7	2.50	2.21	22.60	11.83	1592.82
FTSE SmallCap	2374.09	....	2374.20	2370.86	2366.14	2064.05	2.88	1.67	25.95	8.61	1990.93
FTSE SmallCap ex IT	2382.36	+0.1	2380.44	2376.57	2373.93	2051.49	3.04	1.75	23.49	8.80	2012.62
FTSE All-Share	2146.80	-0.4	2156.05	2163.94	2161.13	1826.73	3.54	1.96	18.01	8.67	1871.34

■ FTSE Actuaries Industry Sectors

	Mar 13	Day's chge%	Mar 12	Mar 11	Mar 10	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4094.38	-0.5	4115.93	4130.67	4159.56	3296.60	3.66	2.11	16.14	15.36	1801.53
12 Extractive Industries(5)	4176.05	+0.5	4157.20	4167.06	4088.31	4165.05	3.88	2.33	13.82	0.00	1244.67
15 Oil, Integrated(3)	4188.84	-0.9	4226.03	4247.22	4287.06	3331.37	3.89	2.08	15.47	20.17	1895.81
18 Oil Exploration & Prod(12)	3586.39	+1.2	3558.29	3532.09	3582.04	2338.84	1.58	2.13	37.14	0.00	2191.82
20 GEN INDUSTRIALS(272)	2058.73	-0.2	2063.75	2071.14	2066.36	2061.58	3.84	1.89	17.20	5.65	1155.12
21 Building & Construction(35)	1367.96	-0.2	1371.18	1370.54	1369.74	1132.69	3.01	1.78	23.37	1.89	1169.74
22 Building Matls & Merchs(32)	1912.66	-0.2	1917.04	1930.99	1931.30	1883.73	4.15	2.55	11.80	1.00	989.00
23 Chemicals(26)	2378.07	....	2378.86	2383.86	2377.49	2563.02	4.40	1.56	18.25	24.63	1166.65
24 Diversified Industrials(16)	1556.20	-1.3	1576.24	1596.75	1594.72	1806.17	4.61	1.80	15.08	4.02	902.56
25 Electronic & Elect Equip(36)	2282.76	-0.2	2286.34	2279.13	2276.48	2350.06	3.43	1.51	24.06	1.74	1213.29
26 Engineering(70)	2654.00	+0.1	2651.12	2654.97	2643.37	2362.04	3.17	2.43	16.22	7.08	1646.67
27 Engineering, Vehicles(13)	2943.42	-0.4	2956.59	2965.50	2971.57	2759.48	3.76	0.18	80.00†	3.02	1558.23
28 Paper, Pckg & Printing(27)	2593.91	-0.1	2597.20	2594.31	2587.75	2666.61	4.02	2.01	15.48	1.47	1107.09
29 Textiles & Apparel(14)	1102.41	+1.8	1082.89	1082.26	1077.88	1476.26	6.40	1.13	17.26	2.25	898.97
30 CONSUMER GOODS(84)	4223.59	-0.8	4257.49	4266.77	4243.74	3506.13	3.57	1.88	18.62	19.07	1602.59
32 Alcoholic Beverages(7)	2833.24	-0.7	2851.95	2845.96	2874.89	2786.70	4.56	1.67	14.68	31.28	1061.28
33 Food Producers(25)	2901.57	....	2901.61	2886.35	2870.90	2548.39	3.79	1.91	17.28	5.51	1345.56
34 Household Goods(17)	2852.42	-0.2	2858.51	2873.60	2886.84	2520.25	3.56	2.31	15.19	2.32	1162.17
36 Health Care(15)	2191.42	....	2190.42	2191.78	2206.31	1926.89	2.88	1.90	24.53	4.71	1356.84
37 Pharmaceuticals(18)	6654.67	-1.1	6727.50	6791.85	6719.03	4936.06	2.75	1.98	24.36	14.48	2384.89
38 Tobacco(2)	4634.83	-1.5	4703.67	4641.49	4606.23	4358.27	5.84	1.85	11.58	0.00	1193.55
40 SERVICES(273)	2692.27	-0.3	2701.61	2711.45	2707.91	2361.18	2.84	1.98	22.24	8.71	1432.44
41 Distributors(30)	2787.31	....	2786.18	2778.37	2778.76	2602.48	3.07	1.99	20.44	6.80	1050.39
42 Leisure & Hotels(31)	3589.30	-0.9	3620.18	3636.30	3611.46	2965.58	2.53	1.71	28.95	26.05	1967.77
43 Media(44)	4399.12	-0.4	4418.75	4409.83	4391.61	3920.61	2.21	2.08	27.27	11.55	1615.69
44 Retailers, Food(15)	1950.45	-0.3	1956.49	1954.59	1963.51	1899.07	4.04	2.29	13.53	4.34	1279.25
45 Retailers, General(53)	2079.96	-0.2	2083.33	2095.81	2102.64	1952.87	3.14	2.02	19.69	7.10	1218.19
47 Breweries, Pubs & Rest.(22)	3412.28	-0.5	3428.54	3426.45	3403.04	2959.05	3.16	2.10	18.69	17.09	1683.25
48 Support Services(56)	2984.56	-0.3	2993.00	3066.08	3044.40	2096.54	1.77	2.56	27.54	3.49	1929.00
49 Transport(22)	2676.99	-0.2	2681.96	2899.62	2914.26	2396.18	3.37	1.26	29.05	6.35	1232.54
60 UTILITIES(31)	2737.92	....	2737.78	2751.40	2760.96	2446.41	4.89	1.50	17.08	5.34	1244.29
62 Electricity(10)	2904.59	-0.5	2918.52	2935.09	2934.32	2684.46	5.83	2.20	8.74	22.08	1604.33
64 Gas Distribution(2)	1554.43	+0.3	1549.39	1535.93	1562.84	1553.05	7.98	‡	‡	0.00	850.54
66 Telecommunications(8)	2310.45	+0.3	2302.58	2320.66	2331.28	2024.42	3.62	1.56	22.10	0.38	1090.91
68 Water(11)	2568.54	-0.5	2582.59	2586.90	2561.52	2163.82	6.80	2.33	9.24	0.00	1465.56
69 NON-FINANCIALS(680)	2198.21	-0.4	2207.07	2214.73	2213.06	1950.96	3.69	1.87	18.66	8.57	1718.78
70 FINANCIALS(108)	3960.56	-0.5	3980.45	4000.22	3989.15	2779.23	3.58	2.40	14.54	41.46	1766.87
71 Banks, Retail(8)	5747.25	-0.7	5786.45	5829.52	5811.86	3844.65	3.48	2.65	13.56	83.22	1951.74
73 Insurance(18)	1750.37	-0.7	1763.51	1756.19	1749.01	1387.58	4.83	2.31	11.00	18.02	1370.88
74 Life Assurance(7)	4741.04	+0.4	4722.75	4725.86	4702.11	3538.71	3.47	2.07	17.40	0.00	2015.72
77 Other Financial(29)	3309.87	-0.6	3328.34	3348.77	3350.78	2491.23	2.99	2.42	17.24	15.87	1944.23
79 Property(44)	1917.69	-0.1	1918.87	1925.60	1925.26	1420.08	3.30	1.32	28.63	3.69	1214.46
80 INVESTMENT TRUSTS(127)	3375.90	-0.6	3397.15	3387.39	3380.56	3059.68	2.15	1.11	52.32	10.20	1199.50
89 FTSE All-Share(915)	2146.80	-0.4	2156.05	2163.94	2161.13	1826.73	3.54	1.96	18.01	8.67	1871.34
FTSE Fledgling	1346.52	....	1345.93	1344.95	1342.99	1152.85	2.90	0.76	57.10	5.10	1438.23
FTSE Fledgling ex IT	1366.01	+0.1	1366.75	1365.57	1364.56	1157.93	3.18	0.72	54.84	5.25	1463.54

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4409.4	4401.6	4403.9	4409.7	4411.7	4411.2	4398.4	4394.8	4398.0	4412.3	4394.0
FTSE 250	4720.8	4719.1	4719.8	4720.7	4724.0	4723.9	4720.8	4719.3	4719.5	4724.2	4718.7
FTSE 350	2179.9	2176.8	2177.6	2180.0	2181.1	2180.9	2175.6	2174.0	2175.3	2181.3	2173.7

Time of FTSE 100 Day's high: 12:10 PM Day's low: 2:55 PM. FTSE 100 1996/97 High: 4444.3 (11/03/97) Low: 3632.3 (16/07/96).

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1294.8	1294.2	1294.0	1294.3	1293.3	1291.4	1290.0	1287.6	1288.0	1288.7	1295.8	-7.1
Pharmaceuticals	6607.3	6581.6	6578.0	6572.4	6572.0	6571.0	6550.2	6540.8	6568.6	6571.2	6645.7	-74.5
Water	2577.7	2576.2	2576.3	2575.8	2578.4	2578.3	2570.5	2565.8	2563.3	2563.3	2577.7	-14.4
Banks, Retail	5831.1	5818.3	5827.3	5825.2	5825.7	5821.1	5807.1	5803.6	5814.9	5820.6	5860.3	-39.7

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: Life Sciences International (FTSE SmallCap) & [36] & Throgmorton Preferred Inc Tst (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER , PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

RETAILERS, FOOD

TELECOMMUNICATIONS

TEXTILES & APPAREL

RETAILERS, GENERAL

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£24½	---	*£31⅞	£20¼	1,865	3.2	ϕ
Barlow		£7⅞xd	+⅛	893	153	1,454	2.1	14.4
Gold Flds Prop R	†	140½	-½	171½	130	14.4	6.6	10.2
RK Props		65	---	92	60	2.81	14.0	-
SASOL	♥	845	---	110	523	3,777	1.7	-
SA Brews		819¾	-¾	£24¾	£13¾	3,729	1.8	ϕ
Standard Bank		£28⅜	-⅞	£31⅛	£21	3,171	1.4	22.7
Tiger Oats		1090	+8	1150	770	1,838	1.7	20.7
Tongaat-Hulett		770½	+6	1125	678¼	729.7	2.4	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
A Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
n Dividend yield includes a special payment.
I Indicated dividend yield, p/e ratio based on latest annual earnings.
n Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997
J Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
@ Dividend is paid in whole or part ex 4

FD (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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4 pm close March 13

NEW YORK STOCK EXCHANGE PRICES

1996/97 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
32	24¼	AAR	0.48	1.9	21	2789	28⅛	28	25½	
46⅞	33	AMP	1.04	2.7	29	2267	38¾	38½	38⅛	-⅜
97½	60	AMR				612220	86⅛	84⅛	84¼	-⅜
50½	33¼	ASA	1.20	3.3	24	211	36⅝	36⅜	36½	+⅜
60⅛	38⅛	AbbtL	1.00	1.0	34	9988	56¾	56¼	39½	-⅜
17½	12¼	Abitibi Pr x	0.40	2.5	0	280	18¼	18⅛	18¼	-⅛
20¼	13½	ABM Ind	0.40	2.2	16	45	18⅛	18⅛	18⅛	
23	13⅞	Acceptncle			16	459	20½	20⅛	20⅜	
85⅞	37¼	ACE Ltd	0.72	1.1	10	943	85⅞	64½	64¾	-⅝
10¾	8⅛	ACM Gvt In x	0.90	8.6	11	400	10⅝	10½	10½	
7⅞	6⅝	ACM GvOpp x	0.63	9.5		330	7⅞	7¼	7⅞	
9⅞	8½	ACM Man x	0.90	9.4		284	9⅝	9⅝	9⅝	-⅛
13⅞	9⅛	Acme Elect				40	6¾	9⅛	6⅝	
21⅝	13⅞	Acme Mts			78	35	16½	16¼	16¼	-¼
33¾	27¼	AcordIa	0.80	2.5	15	54	32½	32⅜	32⅝	-⅜
29¾	12	Acuson				987	28½	27¾	28	-⅛
21⅜	17⅞	Adams Expr	0.55	2.7	1	344	20⅛	20½	20⅝	-⅜
47¾	10¼	AdvMic				47492	u48½	47	47⅜	+2
15	8½	Advest Grp			16	155	14⅞	13¾	13⅞	-½
28⅛	9⅜	Advo Inc			29	159	12⅜	12¼	12⅜	-¼
70½	41¼	Aegon	1.10	1.7	20	249	u71½	70¾	70⅜	+⅞
6¾	3½	Aeroflex				86	4⅛	4	4	-⅛
67⅞	40⅝	AES Corp				20	82	62	62	-1¼
93⅞	57⅞	Aetna	0.80	0.9	00	5148	92⅜	00	90	-2⅞
44	28¼	Aflac	0.46	1.0	14	848	41¼	40⅜	40⅜	-1
22	17⅛	AGL Res	1.08	5.5	14	345	19⅞	19½	19⅝	-¼
45¼	21¼	Ahmanson	0.88	2.2	44	5627	41⅛	40⅝	40⅜	-⅞
77⅝	50⅜	AirPrC	1.16	1.5	16	3507	74⅛	72⅞	72⅞	-1⅝

Continued on next page

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

AUSTRALIA (Mar 13 / Aus$)

US INDICES

Dow Jones	Mar 12	Mar 11	Mar 10	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	7039.37	7085.10	7079.39	7085.16 (11/3/97)	5032.94 (10/1/96)	7085.79 (11/3/97)	41.22 (8/7/32)
Home Bonds	103.70	103.08	103.21	706.09 (14/2/96)	100.99 (15/7/96)	709.77 (18/10/93)	54.99 (1/10/81)
Transport	2461.57	2460.03	2461.88	2461.88 (10/3/97)	1882.71 (18/1/96)	2461.88 (10/3/97)	13.23 (8/7/32)
Utilities	224.01	225.12	226.52	240.85 (22/1/97)	204.85 (30/7/96)	256.45 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7111.72 (7108.25) Low 6988.96 (6970.10) (Theoretical)
Day's high 7089.24 (7112.10) Low 7010.89 (7063.61) (Actual)

Standard and Poors	Mar 12	Mar 11	Mar 10	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Composite‡	804.26	811.34	813.65	816.29 (18/2/97)	598.48 (18/1/96)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials♥	936.25	943.70	945.47	950.96 (18/2/97)	702.07 (15/1/96)	950.96 (18/2/97)	3.52 (30/6/32)
Financial	95.10	96.55	97.25	97.25 (10/3/97)	58.87 (10/1/96)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	423.54	427.06	427.70	427.70 (10/3/97)	321.41 (10/1/96)	427.70 (10/3/97)	4.64 (25/4/42)
Amex Comp.	602.04	603.43	603.63	617.81 (22/5/96)	524.20 (16/7/96)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Comp	1304.13	1316.76	1322.72	1388.06 (22/1/97)	988.57 (15/1/96)	1388.66 (22/1/97)	54.87 (3/10/74)

RATIOS

	Mar 7	Feb 28	Feb 21	Year ago
Dow Jones Ind. Div. Yield	1.93	1.96	1.94	2.16
	Mar 12	Mar 5	Feb 26	Year ago
S & P Ind. Div. yield	1.74	1.77	1.73	1.85
S & P Ind. P/E ratio	22.61	22.55	22.69	21.01

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
WalMart	10,300,100	26¾	+1
Adv Micro	9,246,600	45⅝	+3⅝
Office Dpt	9,062,500	22⅞	+3⅝
AT&T	4,583,100	35⅞	-⅛
Officemax	4,501,300	15	+1⅝
Dig Equip	4,324,900	29⅝	-2⅛
Micron	4,278,500	41⅝	+1
PepsiCo	4,182,800	32	-⅛
Natl Educat	3,851,800	16⅛	-¾
Seagate Tch	3,581,800	47½	+1⅝

TRADING ACTIVITY

Volume (million)	Mar 12	Mar 11	Mar 10
New York SE	483.125	491.320	458.747
Amex	19.236	18.697	15.873
NASDAQ	575.898	584.241	573.120
NYSE			
Issues Traded	3,343	3,354	3,331
Rises	942	1,298	1,647
Falls	1,578	1,185	863
Unchanged	825	871	821
New Highs	140	229	218
New Lows	34	18	19

S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	803.20	801.00	-2.70	801.80	800.30	88,248	125,650
Jun	808.50	809.40	-2.00	809.40	808.05	23,145	76,974

Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	18040.0	17860.0	-270.0	18100.0	17850.0	11,717	151,558
Jun	17950.0	17800.0	-250.0	18040.0	17800.0	27,332	237,362

Open interest figures for previous day.

GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ... 's highs and lows are the averages of the highest and lowest prices reached during the day by each ... s and lows represent the highest and lowest values that the index has reached during the day. (The ... ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Thursday, March 13, 1997

	Stocks Traded	Closing Prices	Change on day
Fuji Heavy Inds	8.4m	606	-6
Mitsubishi Hvy	7.7m	767	-36
Hitachi	6.7m	1060	-20
Towa Bank	5.0m	846	+11
Nomura Secs	4.5m	1380	-20
Pacific Ind	4.3m	715	+32
Honda Motor	4.1m	3550	-130
Nippon Steel Cp	3.9m	325	-2
Taisei	3.7m	455	-26
Daiwa Secs	3.4m	900	-45

Prices supplied by Exel, part of FT information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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★ FINANCIAL TIMES

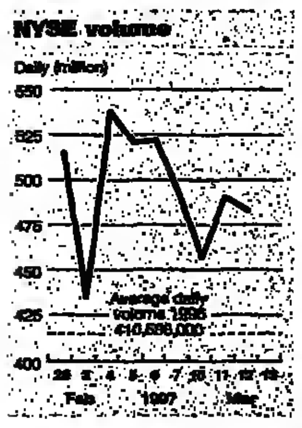
Friday March 14 1997

Rate rise fears hit US shares

AMERICAS

US share prices fell for a second day as Wall Street weighed the prospect of an imminent increase in interest rates, *writes Richard Waters in New York.*

The reversal had sent the Dow Jones Industrial Average back below 7,000 by lunchtime in New York. The widely followed index was down 75.04, at 6,964.33, having hit a closing high of 7,085.16 earlier in the week.



The Standard & Poor's 500 also fell, losing 7.06 to 797.20, while the Nasdaq composite slid 4.00 to 1,300.13.

The losses, which echoed those seen in the bond market, followed a retail sales report which pointed to strong consumer spending so far this year.

That prompted concerns that the Fed might take early action to raise interest rates in order to head off the risk that inflation would begin to pick up.

Interest-rate sensitive stocks suffered some of the biggest losses.

Among the largest banks, Chase Manhattan fell $1⅝ to $102¼, Citicorp was off $3⅛ at $119⅜ and BankAmerica slipped $2¼ to $116¼. The construction squipmsnt maker Caterpillar, a Dow constituent, fell $1¼ to $79¾.

Other Dow constitutents to lose ground included Philip Morris, which fsll back after a powerful rally in recent months.

The company was trading at $132, a decline of $4¾ on the day, but it was still more than 20 per cent higher above its level at the start of the year.

Four new stocks due to join the Dow on Monday all did better than the market at large, reflecting a belief that they might attract a greater investment following once they were members of the narrow, 30-share index.

Hewlett-Packard rose $1⅛ to $55⅝, Walmart was up $⅝ at $29⅛ and Johnson & Johnson climbed $⅝ to $60. Only the fourth, Travelers Group, fell, losing $⅝ to $53⅞.

Meanwhile, three of the four companies that they will replace in the index lost ground. Texaco lost $2⅝ to trade at $100⅞, Woolworth fell $⅝ to $22⅝ and Bethlehem Steel fell $¼ to $8⅝, while Westinghouse Electric rose $⅝ to 19⅛.

TORONTO continued to track Wall Street, sliding lower from the opening bell and closing the morning session with heavy losses. At the noon calculation, tbe TSE-300 composite index was off 51.01 at 6,206.20.

The index heavyweight, Northern Telecom, had a torrid time during the opening session, losing C$1.75 to C$93.45 after media reports suggested that the telecoms group had lost out on a Southwestern Bell contract.

Canada's banks continued to move lower. Royal Bank of Canada lost a further 20 cents to C$59.20 and Toronto Dominion Bank retreated 70 cents to C$38.20.

Golds edged higher with Barrick Gold adding 15 cents to C$36.55 and Placer Dome up 10 cents to C$28.10.

Mexico City nervous

MEXICO CITY came off sharply in line with the weak opening on Wall Street. "They're nervous and they're selling", said ons prominent broker who added that worries abont a US interest rate rise later this month had been given a fresh lease of life following ths latest US retail sales data. At midsession, the IPC index was off 26.27 or 0.7 per cent at 3,731.82.

CARACAS edged higher as the shake-out in recent sessions prompted by the worries at CANTV, the state telecoms group, sparked bargain hunting. Dealers said the most recent scare stories were emerging from ths Brady debt markets where prices had weakened, but that Venezuelan equities had so far managed to stay calm.

At midsession, the IBC index was up 37.61 at 6,099.60.

SANTIAGO and BUENOS AIRES lost ground in a morning of mostly light trading for both stock markets. The IPSA index was off 1.19 at 115.63 at midsession, while in the Argentine capital the Merval index shed 1.93 to 716.04.

Industry keeps S Africa up

Golds continued to wilt in Johannesburg, bnt there was enough support for industrial shares to push the all-share index marginally higher to 7,171.6, up 3.7.

Dealers said that further reflection with the previous day's budget and strong bond and currency markets had helped underpin industrials, but that trade had been very mixed.

Iscor gained 5 cents to R395, but most of the action was in secondary atocks, notably Sweets from Heaven which jumped 60 cents to R2.80 after announcing the purchase of a 60 per cent stake in a US confectionery group.

Golds continued to suffer from bullion price woes. The golds index dipped 17.9 to 1,429.6 for a two-day setback of 34 points.

Bourses stage recovery following US data

EUROPE

Stronger than expected US data brought interest rates back to the table, hit the Dow and bonds and lifted the dollar. Faced with this, bourses continued to take profits, although a number of them closed well off their lows for the day.

FRANKFURT came back from a low of 3,332.32, the Dax index closing 14.58 lower at an Ibis-indicated 3,367.82 in turnover of DM15.5bn.

Its winners included Adidas, the sportswear group, DM10, or 6 per cent, higher at DM176.50; BMW, DM29.05 higher at DM1,295 after a DM18.75 gain on Wednesday; and Deutsche Telekom, accelerating its recent uptrend with a rise of DM1.53, or 4.3 per cent, to DM36.92.

Hoechst stayed active after the week's disappointments, turnover in the stock falling from DM3.8bn to a still-inflated DM2.2bn, and the share price flattening out to close 11 pfg higher at DM69.25. However, Henkel prefs shed another DM3.01 at DM92 after the previous day's 3.5 per cent decline.

Mr Hans-Peter Wodniok, of Crédit Lyonnais in Frankfurt, detected a switch from shareholder value situations to organic growth prospects. The Hoechst decision not to spin off its pharmaceuticals subsidiary HMR, at least within tha next few years, had tended to put *phantasie* into perspective, he said.

FTSE Actuaries Share Indices

Mar 13							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2183.96	2182.50	2183.98	2184.87	2185.38	2184.39	2182.75	2181.53
FTSE Eurotrack 200	2218.84	2215.31	2216.70	2216.85	2216.68	2213.90	2211.12	2212.95

	Mar 12	Mar 11	Mar 10	Mar 7	Mar 6
FTSE Eurotrack 100	2204.47	2231.93	2219.55	2200.11	2198.65
FTSE Eurotrack 200	2230.25	2257.03	2243.24	2232.47	2233.60

Base value 1000 (26/10/90) Highday: 100 - 2186.68; 200 - 2218.55 Lowday: 100 - 2181.48 200 - 2210.77. † Partial.

PARIS made it three downside days in a row, but closed with the CAC 40 almost 20 points above the session low. Volume was again thin and the lead index ended off 9.60 at 2,632.10.

Lafarge surged against the trend, rising FFr10.40 to FFr382.40 for a two-day gain of more than 3 per cent following broker upgrades. Strong results from the group's US unit prompted enthusiasm from Morgan Stanley while Wednesday's solid group numbers led James Capel to shift from "neutral" to "buy".

BNP attracted the bargain hunters after Wednesday's shake-out for the banking sector, adding FFr9 to FFr252, and Promodes rose FFr45 to FFr1,925 on renewed deal speculation. AGF – off sharply at ons stage on fading takeover hopes after Allianz of Germany declared an interest in buying GAN, a rival insurer – ended FFr4 better at FFr214.5.

Michelin turned in ths day's steepest decline, sliding FFr12.60, or 3.6 per cent, to FFr333.20.

ZURICH closed weak, the SMI index losing 66.3, or 1.4 per cent, to 4,609.9.

Ciba Specialty Chemicals made a anccessful debut, peaking at SFr118 before a close of SFr116.50, a premium of SFr6.50 over its issue price. In pharmaceuticals, however, Novartis and Roche were weak after Wednesday's sector sell-off in the US, losing SFr32 at SFr1,756 and SFr225 at SFr12,255 respectively.

MADRID bucked the trend on positive inflation data, tha general index rising 2.18 to 485.11 in high turnover of Pta98.5bn after Spain's February CPI came in up 2.5 per cent, year-on-year, compared with 2.9 per cent in January.

Banks went well, Banesto gaining 3.1 per cent. Repsol, fancied in its run up to privatisation, rose another Pta90 to Pta5,990.

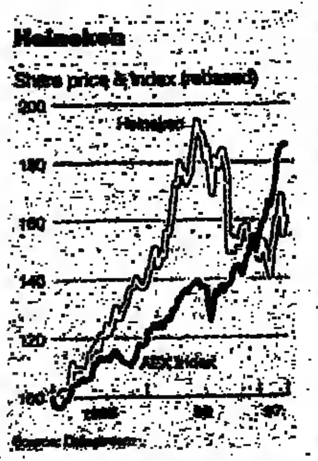
AMSTERDAM mostly concentrated on Heineken where sentiment recovered strongly ahead of today's results. An upbeat statement on Irish trading, combined with bargain hunting after Wednesday's steep slide, left it Fl 12.30, or almost 4 per cent, higher at Fl 329.50.

Aegon also bounced strongly, rising Fl 3.60 to Fl 136.80 on what looked to dealers like a shortage of stock. Among second-liners, Boskalis fell Fl 2.40 to Fl 41 after poor results and Stock came off Fl 3.80 to Fl 83 on worries about investment in the bankrupt Fokker aircraft company.

The AEX index ended the session off 1.38 at 758.03.

BRUSSELS blamed profit-taking as leaders such as steel cord and wire maker Bekaert and retailer GIB both fell by 3.1 per cent. Petrofina lost BFr300, or 2.4 per cent, at BFr12,050 and the Bel-20 index closed 18.79 lower at 2,191.82.

However, it had a winner in Recticel, the polyurethane foam maker, whose pref shares jumped BFr37, or 9.2 per cent, to BFr441 after better than expected 1996 results and upgrade ratings from leading Belgian institutions.



STOCKHOLM, too, reflected the weakness in the US drugs sector, with Astra A down SKr7.50 at SKr364.50, and Pharmacia & Upjohn SKr5 lower at SKr296.

However, the broad market ended virtually flat, the general index closing 0.12 higher at 2,763.58.

Merger rumours lifted banks again, speculation about a merger between S-E-Banken and Nordbanken, as well as rumours that ABN Amro of ths Netherlands might bid for Nordbanken leaving the latter SKr4 higher at SKr269.

Handelsbanken climbed SKr8.50 to SKr294 on positive analysts' reports, and hopes that the bank would benefit from others being preoccupied with mergers.

COPENHAGEN, oncs again, reflected company results as the KFX index closed 1.25 lower at 158.53.

The wholesale, consumer goods and graphics group East Asiatic posted a 59 per cent profits gain, forecast "reasonably better" 1997 operating profits, and dropped DKr7 to DKr152.

Sophus Berendsen continued to fall on a disappointing result for its Rentokil associate, losing DKr33 at DKr805, but Novo Nordisk changed its mind about Wednesday's results, rebounding DKr25 to DKr705.

VIENNA buckled under profit-taking, the ATX index losing 7.95 at 1,241.97, but it had its consolations. Lauda Air soared Sch14, or 14.6 per cent, to Sch110 on Wednesday's news that Austrian Airlines had bought a 36 per cent stake in Lauda. AUA itself gained Sch65, or 3.6 per cent, at Sch1,865.

ISTANBUL leapt by 4.7 per cent after the Islamist government, following a cabinet meeting, said that it would rigorously enforce a crackdown on religious activism demanded by the secularist Turkish military.

The IMKB 100 index closed 67 higher at 1,504, turnover climbing from TL20,070bn to TL25,500bn.

Written and edited by William Cochrane and Jeffrey Brown

Strong yen sees Nikkei fall below 18,000 mark

ASIA PACIFIC

A stronger yen and a rash of negative corporate news and rumours hit TOKYO and the Nikkei average closed below 18,000 for the first time since February 7, *writes Bethan Hutton.*

The 225 index ended at its low for the day, 282.79 down at 17,900.48. It had opened at the day's high of 18,144.14. Volume was estimated at about 337m shares, down from 356.2m, with many participants staying on the sidelines ahead of today's special quotation on futures.

The Topix index of all first-section shares fell 15.54 to 1,351.04 and the capital-weighted Nikkei 300 fell by 3.35 to 258.41. Declines led advances by 791 to 280 with 154 unchanged.

In London, the ISE/Nikkei 50 index was down 1.00 to 1,397.84.

The yen climbed above Y122 to the US dollar during the day and this had a negative impact on export-oriented blue chips. Honda Motor fell Y130 to Y3,550.

Daiwa Securities plunged Y46 to Y900 on rumours that it was under investigation for activities involving "sokaiya" corporate racketeers, similar to those which hit its rival Nomura.

The company denied that it was the subject of a special investigation, but said it had undergone a routine check. Nomura continued its slide, falling another Y20 to Y1,380, while the other scandal-hit issne, Ajinomoto, recovered Y6 to Y971. Nomura and Daiwa, respectively, were the day's fifth and tenth most actively traded shares.

Daiei, the supermarket chain, also fell heavily after cutting its profit forecast on Wednesday. It now expects an unconsolidated pre-tax profit of Y500m for the year which ended on February 28, rather than the Y13bn it originally estimated. Daiei shares dropped Y53 to Y693.

Mitsubishi Heavy Industries suffered in the wake of Tuesday's fire and explosion at a Japanese nuclear power plant because of its involvement in the industry. Its shares fell Y36 to Y767 and were the day's second most heavily traded issue.

Nikon, the camera and instrument maker, slipped Y100 to Y1,680 after a newspaper report claimed that its unconsolidated pre-tax profits would probably drop 12 per cent in the coming financial year because of a decline in sales of steppers, used in semiconductor production.

In Osaka, the OSE index closed down 129.55 at 16,919.03 in volume of 187.93m shares.

HONG KONG declined for the third day running as rumours of an imminent rise for interest ratss ran through the market. At the close, the Hang Seng index was off 202.04, or 1.5 per cent, at 12,917.09.

The interest rate scare led to heavy selling of property shares. Cheung Kong came off HK$1.25 to HK$70.50 and Sung Hung Kai lost HK$2.00 to HK$85.00. Henderson Land slid HK$1.75 to HK$64.50. Cathy Pacific chose a bad day to unvell strong 1996 results. It dipped 5 cents to HK$11.95.

But not all brokers subscribed to the worries about a rate rise. "Ws are looking ahead to late March at the earliest for an upward move by the Fed. Even then it is not a foregone conclusion," said one.

SINGAPORE moved sharply lower after news of a steep fall in industrial output for January. The Straits Times Industrials index ended 23.06, or 1.1 per cent, lower at 2,154.33.

Fallers led gainsrs by almost four to one after industrial output came in 7.2 per cent down on January a year ago. Creative Technology gave up S$0.70 to S$14.80. Cycle & Carriage fell S$0.60 to S$14.10.

JAKARTA continued to move lower after heavy selling among the banks. Bank Negara Indonesia fell Rp100 to Rp1,350. The composite index ended off 12.62 at 669.99.

News that the central bank had set tough new limits on bank credit expansion for 1997 caused the shake-out. Although there were no immediate moves by analysts to downgrade sector earnings, sentiment was clearly rattled.

SYDNEY closed slightly lower in quiet trade after the release of higher than expected unemployment figures. The All Ordinaries index came off 1.8 at 2,452.6.

Coles Myer, a sharp faller in nervous trading on Wednesday, added 2 cents to A$5.93 after posting solid interim results. In a mixed session for banks, NAB rose 20 cents to A$16.05. BHP lost 10 cents to A$17.04.

SEOUL took profits in blue chips after Wednesday's 1.2 per cent gain and the composite index fell 6.00 to 657.90. The market was still plagued by a slowing economy, high interest rates and a weakening won.

China Bs were mixed, SHANGHAI's B share index correcting with a fall of 0.676 at 70.994, but SHENZHEN's adding a further 3.32, or 2.05 per cent, at 165.53 with institutions encouraged by the market's recent rises.

TAIPEI inched up to another six-year high, and took its 1997 gains to 19.2 per cent as hopes for an imminent end to a 47-year ban on Taiwan-China shipping outweighed profit-taking. The weighted index rose 13.08 to 8,268.15.

KARACHI recovered 1.8 per cent after a 13.1 per cent decline over 12 aessions. After initial weakness, the market set aside its concerns for the Pakistani economy.

Short-term covering by big players brought retail investors, selectively, into blue chips and the KSE 100 index rose 27.92 to 1,571.0. In the money markets, meanwhile, overnight rates tumbled on excess liquidity.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MARCH 12 1997								TUESDAY MARCH 11 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	224.75	–0.5	208.15	174.22	198.80	188.06	–0.7	4.04	225.77	208.53	173.90	200.18	189.47	225.77	186.44	196.74
Austria (24)	187.52	–0.1	174.51	145.36	165.87	165.80	–0.4	1.76	187.73	173.40	144.60	166.46	166.39	196.04	174.70	179.50
Belgium (26)	240.94	–0.2	224.22	186.77	213.12	208.56	–0.5	3.28	241.54	223.10	186.05	214.19	209.61	241.54	203.64	207.93
Brazil (28)	241.41	–2.4	224.66	187.13	213.54	468.41	–2.3	1.20	247.23	228.36	190.43	219.21	479.43	247.23	148.46	148.46
Canada (114)	201.38	–0.8	187.40	156.10	178.12	198.38	–0.9	1.86	202.89	187.40	156.29	179.90	200.73	203.31	154.12	155.42
Denmark (32)	373.23	–1.0	347.34	289.31	330.14	329.64	–1.1	1.35	376.98	348.20	290.37	334.28	333.45	376.96	291.30	293.66
Finland (28)	266.04	–0.9	247.58	206.22	235.32	283.87	–1.1	1.91	268.58	248.07	206.87	238.14	287.02	268.58	174.47	184.12
France (61)	220.74	–1.4	205.43	171.11	195.26	198.79	–1.6	2.59	223.99	206.88	172.53	198.60	202.02	225.82	183.87	183.87
Germany (59)	203.15	–1.1	189.05	157.47	179.69	179.69	–1.3	1.44	205.33	189.66	158.15	182.06	182.06	205.33	164.47	169.08
Hong Kong (59)	476.90	–1.1	443.81	369.67	421.83	474.11	–1.1	3.25	482.29	445.46	371.48	427.63	479.44	514.49	402.53	415.45
Indonesia (27)	239.16	–0.9	222.56	185.38	211.54	351.96	–0.7	1.51	241.25	222.83	185.83	213.91	354.46	–	–	–
Ireland (16)	336.46	–0.1	313.11	260.81	297.61	304.84	0.2	3.08	336.73	311.02	259.37	298.57	304.09	343.36	255.16	255.16
Italy (59)	85.04	–1.7	79.14	65.92	75.22	107.75	–1.7	2.07	86.50	79.89	66.62	76.69	109.86	96.32	70.61	73.72
Japan (480)	113.76	–0.8	105.87	88.18	100.62	88.18	–0.2	0.89	114.70	105.94	88.35	101.70	88.35	164.68	109.16	146.45
Malaysia (107)	642.18	–0.2	597.60	497.77	568.00	612.06	–0.1	1.05	643.44	594.32	495.62	570.52	612.96	690.85	612.47	531.28
Mexico (27)	1337.16	–0.8	1244.38	1036.51	1182.76	11632.25	–1.1	1.13	1347.42	1244.54	1037.88	1194.71	11764.19	1445.68	1072.61	1072.61
Netherland (19)	351.14	–1.7	326.78	272.19	310.60	306.92	–1.9	2.49	357.19	329.91	275.12	316.70	312.89	357.19	275.74	275.74
New Zealand (14)	87.34	–0.2	81.28	67.70	77.25	65.70	–0.6	4.33	67.56	80.87	67.44	77.64	66.12	95.60	75.94	80.97
Norway (41)	312.80	–0.2	291.09	242.47	276.68	288.84	–0.4	2.13	313.41	289.48	241.41	277.89	289.94	321.23	236.19	296.89
Philippines (22)	199.47	–0.4	185.63	154.62	176.44	261.66	–0.4	0.66	200.27	184.98	154.26	177.57	262.71	–	–	–
Singapore (43)	412.45	–1.6	383.83	319.71	364.83	272.44	–1.5	1.01	419.18	387.18	322.88	371.68	276.88	448.15	371.28	424.31
South Africa (44)	367.59	0.6	342.09	284.94	325.15	354.20	0.0	2.37	365.69	337.77	281.68	324.24	354.12	390.34	301.49	385.58
Spain (35)	215.62	–0.9	200.66	167.14	190.73	235.72	–1.2	2.71	217.61	201.00	167.62	192.95	238.63	228.16	164.81	166.09
Sweden (49)	438.16	–1.6	407.79	339.65	387.57	496.27	–0.9	2.09	444.67	410.90	342.66	394.45	502.79	448.64	330.14	330.14
Switzerland (35)	257.43	0.5	239.57	199.55	227.71	233.97	–0.1	1.29	256.29	236.72	197.41	227.24	234.32	257.43	229.36	241.71
Thailand (45)	83.93	3.2	78.11	65.06	74.24	84.50	3.1	3.83	81.34	75.13	62.65	72.12	81.92	187.79	73.98	173.76
United Kingdom (212)	281.95	–1.2	262.39	218.58	249.40	262.39	–0.4	3.73	285.30	263.51	219.75	252.98	263.51	285.30	224.39	224.39
USA (654)	326.80	–0.9	304.12	253.32	289.06	326.80	–0.9	1.84	329.64	304.47	253.81	292.26	329.64	331.54	254.79	260.22
Americas (823)	299.25	–0.9	278.49	231.97	264.70	251.82	–0.9	1.83	301.89	278.84	232.53	267.66	254.06	303.45	233.09	237.32
Europe (726)	246.93	–1.1	229.24	190.94	217.89	229.79	–0.9	2.65	248.87	229.98	191.77	220.75	231.90	248.97	201.86	201.86
Nordic (150)	381.05	–1.2	354.61	295.37	337.05	372.25	–0.8	1.95	385.69	356.24	297.06	341.96	375.66	385.85	285.99	285.95
Pacific Basin (873)	135.02	–0.8	125.65	104.66	119.43	103.50	–0.3	1.40	136.09	125.70	104.82	120.66	109.86	177.01	131.50	159.56
Euro-Pacific (1599)	181.40	–0.9	168.82	140.62	160.46	151.15	–0.7	2.11	183.13	169.14	141.05	162.37	152.16	191.51	176.79	177.00
North America (768)	319.21	–0.8	297.06	247.44	282.35	318.37	–0.9	1.84	321.97	297.39	248.00	285.48	321.15	323.89	248.65	253.73
Europe Ex. UK (514)	221.59	–1.0	206.22	171.77	196.01	207.31	–1.2	2.04	223.82	206.73	172.40	198.48	209.80	223.97	184.29	184.29
Pacific Ex. Japan (393)	311.73	–0.7	290.10	241.64	275.73	268.72	–0.9	2.76	313.90	289.93	241.79	278.33	270.76	320.55	268.97	280.32
World Ex. US (1812)	185.39	–0.9	172.52	143.70	163.98	157.42	–0.7	2.09	187.11	172.82	144.12	165.90	158.51	193.47	178.28	178.40
World Ex. UK (2254)	225.58	–0.9	209.93	174.86	199.53	200.47	–0.8	1.76	227.54	210.17	175.27	201.75	202.10	228.59	199.58	201.83
World Ex. Japan (1986)	289.84	–0.9	269.73	224.67	256.37	280.33	–0.9	2.18	292.49	270.18	225.29	259.34	282.80	292.72	235.10	235.16
The World Index (2466)	230.41	–0.9	214.42	178.60	203.80	206.08	–0.8	1.97	232.48	214.73	179.07	206.13	207.67	233.38	202.32	203.69

Latest prices were unavailable for this edition.

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NYSE PRICES

4 pm close March 13

Continued from previous page

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Zenix Inc	0.73	10.1	59	u7⅜	7¼	7¼	-⅛
Zero	0.12	0.3 17	118	22¼	22¼	22¼	
ZweigFd	1.12	10.1	251	11¼	11⅛	11⅛	-⅛
Zweig Tot x	0.84	9.7	1564	9⅝	9½	9⅝	+⅛

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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AMEX PRICES

4 pm close March 13

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
BioRad A		12	348	27⅞	27⅝	27⅞	
Bowmar	2.00	11	126	2	1¹⁵⁄₁₆	1¹⁵⁄₁₆	
Bowne x	0.36	10	389	26¾	25⅞	26	-¾
Brascan A	1.04	28	5	23½	23⅜	23⅜	-⅛
Cambrex	0.28	14	298	35¼	35	35	-⅛
Comforce		20	z0	29½	29½	29½	
CopyTele			5	10	10	10	
Computrac			354	1⅜	d1⁷⁄₁₆	1⅝	-¼
Crown Crk	0.70	18	2	28	28	28	
Fab Inds x	0.70	18	2	28	28	28	
Flrst A x	2.80	12	7	63⅛	63⅛	63⅛	-⅛
Forest La		35	2534	37¼	37	37¼	-⅛
Frequency		11	28	16⅞	16¾	16¾	
Garan	0.80	13	194	18	17⅞	18	+⅛
GatchellG			1186	51¼	50⅝	50¾	+¼
Giant FdA	0.78	17	599	32⅞	32⅝	32⅝	-⅛
Glatfltr	0.70	11	577	16⅞	16¾	16¾	
Goldfield			277	⁹⁄₁₆	½	⁹⁄₁₆	+¹⁄₁₆
HealDir			179	⅞	¾	¹³⁄₁₆	
KogrEq	0.20	25	579	10	17⅞	10	
Laborge	0.08	28	321	6⁷⁄₁₆	6¹⁄₁₆	6⁷⁄₁₆	-³⁄₁₆
Lynch Cp		21	19	u109¾	108	109¾	+¾
Moogam		18	54	48	47⅛	47⅛	-1½
Media A x	0.52	11	314	32⅝	31⅜	31⅜	-¾
Miromedia			312	9⅜	9½	9½	-³⁄₁₆
MitelLd			5	7⅞	7⅞	7⅞	+⅛
Moog A		14	62	23½	33	23	-⅛
MSR Expl			z0	¹⁵⁄₁₆	¹⁵⁄₁₆	¹⁵⁄₁₆	
NatPatDev		4	110	7¹¹⁄₁₆	7⅝	7⅝	-³⁄₁₆
ToPNA	0.30	149	238	18⅝	18⅜	10½	+⅛
TownCntry		0	2	⅜	⅜	⅜	+¹⁄₁₆
Triton Gp			17	u⅞	⅞	⅞	
Tubos Mex			4319	17⅞	17	17	-½
UtdFoodsA		21	42	1¹¹⁄₁₆	1¹¹⁄₁₆	1¹¹⁄₁₆	
UtdFoodsB			z0	1¾	1¾	1¾	
US Cellul		17	46	26⅞	26⅝	26⅝	-⅛
ViacomA		120	1599	36¼	36	36⅛	-¼
ViacomB		121	4064	36¾	36⅜	36⅜	-⅛
WIRET x	1.12	18	z0	12⅞	12⅞	12⅞	
Xytronix			61	1¼	1⅛	1¼	+⅛

NASDAQ NATIONAL MARKET

4 pm close March 13

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
- K -							
K Swiss	0.08	109	z0	11⅜	11⅜	11⅜	
Kaman Cp	0.44	12	656	13⅞	13⅝	13⅝	-⅛
Kelly Sv x	0.84	14	507	27⅞	27¼	27½	-¼
Kimball	1.04	14	118	38	37¼	27¾	-½
KLA Instr		19	8450	41⅛	39¾	40⅛	
Koll A			491	³⁄₁₆	⅛	⅛	
Komag		13	9692	29⅝	27⅞	27¾	-1½
Kulicke S			1789	25⅝	24⅝	25⅜	+¾
- L -							
Laborie	0.72	82	27	18¼	18⅛	18⅛	-⅛
Ladd Furn			527	15⅝	15¼	15⅝	
Lam Rsch		12	8581	38⅛	37⅛	37¾	-¼
Lancaster x	0.72	18	111	45½	45	45⅛	-⅛
Lance	0.06	22	332	18¾	18⅝	18⁷⁄₄	-⅛
- Q -							
Qualcomm		21	13528	59¾	58	59⅛	+½
Qual Food		23	z0	39⅞	39⅞	39⅞	
Quantum		22	20605	41	48	40⅛	+⅝
Quickslv		15	409	25¾	24¼	24⅜	-1½
Quintiles		496	3458	65⅞	64¼	64½	-1¼
- R -							
Rainbow		13	652	18⅝	18	18	-⅜
RaDys			3674	3⅝	3¼	3⁷⁄₁₆	+¹⁄₁₆
Raymond x	0.25	13	3838	28⅛	27⅝	27⅞	
RCSB Fin	0.80	12	2928	39⅞	39½	39⅝	-⅛
Read-Rite			23541	31⅛	29¾	29¾	-¼
Recoton		13	424	14½	14	14⅛	-⅜
RegFinCp x			1987	61⅝	60⅜	60⁷⁄₁₆	-1³⁄₁₆
Repligen			1114	1¼	1⁷⁄₃₂	1⁷⁄₃₂	
Repub Ind			7687	35⅛	34⅝	35⅛	-⅛
ResrchMed		23	139	23½	23⅛	23⅛	-⅛
Resound			645	6¾	6½	6¾	
- W -							
WashSiA		10	1359	36⅞	35⅝	36⅛	+½
Wet SealA		21	2054	23¼	22	22⅝	+⅝
Willamette x	1.28	18	z0	63½	63½	63½	
WmsSonoma		165	14123	30½	29¼	29¾	+⅞
Wolohan L x	0.28	16	4	15¾	15	15	+³⁄₁₆
Worldcm		234	6088	24⅝	24¼	24⅜	-⅛
Worthinds x	0.48	22	2662	20⅞	20⅛	20⅜	
WPP ADR	0.10	24	45	u44¼	43¾	43⅞	+2⅛
Wyman-Gdn	0.40	25	1579	20	19⅞	19⁹⁄₁₆	+¹⁄₁₆
- X - Y - Z -							
Xilinx		26	18089	45¾	43½	44⅞	-1⅛
Xircom		28	1350	16¾	16	16⁵⁄₁₆	-³⁄₁₆
Xoma Corp			1745	6⁷⁄₁₆	6¾	6¼	-⅛
Yellow			246	16⅛	15⅞	15⅞	-⅛
York Rsch		18	265	9	8¾	6⅞	
ZionsUtah	1.78	18	72	128¾	128⅛	128¼	-1¼

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RECRUITMENT

Over-reliance on machines may lead to people becoming computer fodder, says **Richard Donkin**

Downsized to the peasantry

Just as the car has contributed to the growing number of unfit people, technology experts believe that the advancement of computers and robotics will erode the human ability to think and make decisions.

Dave Keating, a technology lecturer in the cybernetics department at Reading University, is one of a group of robotics specialists who have gathered in Glasgow for Robotix 97, part of the city's Science Week festival. He compared the creeping influence of artificial intelligence to that of the car which, he argued, has a pervasive presence in society.

Computers will begin to erode people's intellectual capacity, Keating said. Machines, he pointed out, were already deciding whether people qualified for a bank loan, taking away much of the judgmental aspect of bank managing.

Similar mechanistic points systems decide how much car or house insurance we pay, whether we qualify for health insurance and what credit rating we enjoy.

Keating's warnings about the march of technology are not new. A professor at Miami University, addressing the International Airline Pilots Association in 1989, described the sort of aircraft that might exist in 2005. He said the crew would consist of one pilot and a dog. The pilot's role would be to feed and look after the dog. The dog's role would be to bite the pilot if he tried to tonch anything.

The story is recalled by Gibson Burrell, professor of organisational behaviour at Warwick University, in a new book*. The author pursues a vigorous polemic on organisational development.

One of the book's themes is the assault on the peasant through the ages, whether by terror of execution, mass entertainment or by organisational ideas such as Taylorism, the scientific management theory which divides jobs into their constituent parts, such as on production lines. He argues that scientific management's greatest contribution to corporate America was to put agricultural immigrants into the service of industrialism as soon as they set foot in the country.

The breakdown of tasks into repetitive actions enabled people who had no command of the language to be put to work in factories. Taylorism, he argues, was an "assault on the peasantry by making their origins, beliefs and values meaningless and immaterial. It does not socialise the peasantry; it circumvents them."

He also fears that the 1994 General Agreement on Tariffs and Trade, which is expected to increase world trade by $2.5bn, will do little to help the 30 per cent of the world's population who live on just 3 per cent of the world's outpnt.

Even in rich nations the increasing alienation of the unemployed and the low paid is causing concern among some commentators. It moved Robert Reich, labor secretary in the first Clinton administration, to raise in a recent FT article the moral objection to divisions of income in society.

While the US now has full employment by most definitions of the term, says Reich, it has experienced an increasing gulf in inequality of earnings, wealth and opportunity.

The reduction of opportunity in US society is stressed by Randall E. Stross in his book, *The Microsoft Way: The Real Story of How the Company Outsmarts its Competition*. Bill Gates, the college drop-out who became one of the world's richest men in just 10 years, is now worth something between $20bn and $30bn.

Gates pursues a policy of recruiting the most intelligent people he can find. This intellectual elite is rising among software producers the world over. It is noticeable, for example, in places like Bangalore, India's software city where many computer programmers earn vast amounts compared with the average Indian income.

Stross complains that such elitist recruitment policies are destroying a long perpetuated ideal in American society, popularised in the film *Forrest Gump*, that anyone with enough persistence and drive can achieve success.

In such circumstances there is a danger that whole layers of society, including much of the disenfranchised middle classes demoralised by downsizing, could be reduced to the intellectual status of peasantry. Fortunately, just as the population was placated by the staging of gladietorial spectacles in Roman times, the computer appears to have become its modern equivalent in mass sedation.

There is a computer game called *Civilization* that enables the participant to plot the progress of a society from the founding of a settlement around 4000BC to the culmination of the game in 2040. Success is achieved in two ways – either by world domination or by taking a technological route, creating a society so advanced it can send out colonies to Alpha Centauri.

The technological revolution is taking the US to a position where it may succeed in securing both objectives, although it might be prudent to substitute Mars for Alpha Centauri. Admiral William Owens, a former vice-chairman of the chiefs of staff, argues that US superiority in military technology will give it the ability to offer coalition leadership among the world powers.

But where do these technological changes leave ordinary working people and those who cannot find work? In spite of the thousands of people grappling with the computer developments that have made Gates one of the wealthiest individuals on the planet, a recent survey of home computer use found that the most widely used function of the personal computer was the "set-up screen" facility, which allows the user to create screen "wallpaper" with various patterns. The most popular game was solitaire, a card game installed to help people practise their mouse-moving technique.

Keating's observations may be less futuristic than they at first seemed. If the over-reliance on machines does wither intellectual performance, it may not be too fanciful to contemplate an urban population which, in terms of domestication and subjugation, has few options over the average farm animal in its daily existence. People will have become little more than computer fodder.

The middle class has already reached the stage where the shackles of taxation, family responsibilities and commitment to work define the boundaries of personal freedom. Are these boundaries really so different from fenced-in pasture for cattle and sheep? People, it must be conceded, still have choices, but once a particular route has been adopted, the necessary self-imposed restraints bind the individual to the system.

These arguments are not advanced as some Luddite objection to new technology but as a counter to the almost continual mantra of those advocating its benefits. They may even support Burrell's ideas of retro-organisation theory.

Technological gain must not be for the financial enrichment of the few, sustained by committed employees working to such punishing schedules that their effort could be defined as semi-slavery. Governments need to find ways of harnessing its advantages for the betterment of the whole of society.

**Pandemonium, Towards a Retro-Organization Theory, by Gibson Burrel. Sage. £13.95*

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Our Human Capital Services Practice is widely regarded as being at the leading edge of reward and human resource strategy in the UK and globally. Arthur Andersen's multi-disciplinary team consists of experienced accountants, HR professionals, lawyers, tax advisers and actuaries. The strength of our international network means that wherever our clients operate, we can support them with integrated solutions and advice that will deliver measurable results.

We are seeking ACAs, CIMAs, ATIIs or MBAs to join this very successful practice where you will gain a grounding in all of the following areas:

- Executive and incentive pay
- Human resource strategy and development
- Equity incentives
- Pensions and employee benefits

There will be ample opportunity to utilise your financial and analytical abilities whilst increasing your skills across a range of disciplines. The work will be varied involving high profile consulting projects and considerable client contact, leading to a significant degree of responsibility at an early stage. In addition, we will support and develop you with a comprehensive human capital services training programme.

You should possess excellent interpersonal, commercial and presentation skills, and be able to demonstrate a successful academic and professional track record in your career to date.

You can also visit us at our web site on http:\\www.ArthurAndersen.com.\uk

To find out more, please contact our retained consultant, Charles Ferguson on 0171 831 2000, or write to him at Michael Page, Page House, 39-41 Parker Street, London WC2B 5LH.

ARTHUR ANDERSEN

Arthur Andersen is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

It really is very simple

We make games. We sell games. And we enjoy everything to do with games.

We entertain.

And we try and have fun ourselves.

Seriously the best.

Planning Manager

London **c £40-50,000 + Bens**

Virgin Interactive Entertainment (VIE), a worldwide publisher and leader in the rapidly expanding software industry, is seeking to appoint a commercially focused Business Planning Manager to join its London based European management team.

This is a new position, created to ensure the company's financial and investment strategies meet the increasing demands of this constantly changing business. Key responsibilities will include:

- Co-ordination of the Group's annual budget, together with monthly and quarterly forecasting.
- Liaising with territories to establish cash flow predictions.
- Performance of investment appraisal analysis on project proposals and evaluating new business ventures.
- Ad-hoc projects evolving from a highly creative and diverse organisation.

In order to take advantage of the exceptional future opportunities offered and to succeed within this role, the ideal candidate will be an ambitious qualified accountant (ACA or CIMA) with 3-5 years post-qualified experience. Clear communication skills, high computer literacy, broad commercial vision and effective presentation are pre-requisites as is a sense of humour and a flexible outlook.

If you have the necessary qualities, please apply in writing, enclosing a full CV to Elizabeth Ewen at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH, quoting ref J/339277.

Michael Page Finance

INTERACTIVE

Financial Controller

Central London **c £42,000 + Car + Bonus**

Our client is a joint venture between two of the largest computer services companies in the world. It is the leading supplier of expertise in its particular market, encompassing consultancy, systems support and business solutions. With a blue-chip client base in the UK, as well as a network of sister offices throughout Europe, the company is poised for a dynamic growth phase.

The role of Financial Controller is seen as vital to its growth. Reporting directly to the Managing Director and as a member of the management team, you will have full responsibility for the finance function including the management of a small team.

Most importantly, you will be expected to make a significant contribution to the future of the business.

The successful candidate will be a qualified accountant with commercial experience, strong communication skills with non-finance personnel and the ability to progress into a more senior role within the organisation.

If you believe you have the necessary skills, please send a copy of your curriculum vitae to Andrew Bentote or Peter Gerrard at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH or alternatively fax: 0171 831 2612.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Nottingham Reading St Albans & Worldwide

Senior Management Accountant
Media

London **c £40,000 + Benefits**

At the forefront of innovation and international communication, our client is truly a world leader within the media and entertainment industry. Its name is synonymous with excellence in a hugely diverse range of activities from television to publishing. In an increasingly competitive and changing market, the organisation is responding with ambitious plans to meet the challenges and opportunities of the future.

At the centre of the organisation, a number of high profile functions drive these exciting developments. These include the Information Systems and Technology Division which plays a key role in providing innovative solutions in a changing environment.

The division wishes to strengthen its capabilities by recruiting a key member of its management team who will contribute to the development and success of the department. Supervising the duties of a small, expert team, specific responsibilities will include: production of management accounts for a number of business areas, preparation of budgets and forecasts, monitoring and implementation of complex controls and ad-hoc reporting and analyses in conjunction with senior management.

Applications are invited from ambitious qualified accountants (probably CIMA) with approximately 3-5 years post qualified experience, ideally gained within a large company/multi-site environment. The successful candidate is likely to have a keen interest in IT and computerised systems and will possess first class communication, man-management and commercial skills.

If you feel you have the necessary qualities to take advantage of the exceptional career prospects offered, please apply in writing to Justin Pearson, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH or by fax on 0171 242 1020, quoting reference J339534.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Nottingham Reading St Albans & Worldwide

ALLIED IRISH
Bank (GB)

Senior Financial Manager

West London **Excellent Package**

AIB Group (UK) p.l.c. is a wholly owned subsidiary of Allied Irish Banks p.l.c. which has one of the strongest capital bases of any bank in Great Britain and Ireland. Allied Irish Banks p.l.c. has assets of £26 billion and has consistently outperformed many of its competitors – a fact recognised by the Financial Journal, Euromoney and many analysts. Value and service are key elements to the success of this business and AIB Group (UK) p.l.c. now have significant market advantage, due to their commitment to relationship banking. AIB Group (UK) p.l.c. now seeks a Senior Financial Manager to run the financial management reporting team.

Key aspects of the role will be to:

- Prepare statutory accounts for AIB Group (UK) p.l.c. and its subsidiaries.
- Manage the production of financial and management information for AIB Group (UK) p.l.c.
- Develop working relationships with UK regulators and ensure all regulatory requirements are complied with.
- Manage capital, taxation and liquidity issues for the UK company.
- Develop and standardise IT and accounting systems to enhance reporting and improve the quality of management information.

The successful candidate will be an ambitious and self motivated professional, with a thorough comprehension of financial control. This is a genuine management challenge and experience of running a highly motivated team is essential. Previous experience of using IT systems to re-engineer finance operations would be advantageous.

This is a rare opportunity for a dynamic finance professional to have a significant impact in a top quality institution.

Interested candidates should contact Keith McCambridge at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH or telephone him on 0171 269 2296.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Nottingham Reading St Albans & Worldwide

Finance Director
Entrepreneurial media-related business

London **c £50,000 + Car + Bonus**

Our client is a diverse, internationally-renowned group with over 40 years' experience in the media industry. An expanding worldwide network is breaking through the frontiers of the industry's development principally in the supply of equipment and services to an impressive range of clients. The group has a turnover in excess of £100 million and comprises a number of successful divisions.

A Finance Director is sought by one of the London based divisions which is a leading force in its field with expanding overseas offices and interests.

Given the continued changes being experienced in the media industry, this is clearly a growing business, which requires constant capital investment in new technology and continued advances in customer services.

Although the overall control of aspects of finance and information technology will come under your jurisdiction, emphasis will also be placed on the role of supporting the Managing Director in commercial decision making, analysis and negotiation.

Applications are invited from ambitious, self-motivated, ACMA/ACAs with a minimum of 5 years' post qualified experience, several of which must have been spent in a finance role within a commercial and preferably international environment. The size of business you are currently working in is less important than the required personal qualities, which will include a strong, robust character and well developed interpersonal skills. If you feel you have the necessary aspirations, personal qualities and are aged in your 30s, please apply in writing to Elizabeth Ewen at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH, quoting reference 324482.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Nottingham Reading St Albans & Worldwide

'Leadership in Worldwide Healthcare'

Group Reporting Manager

Central London **to £45,000 + Car + Benefits**

Our client, a FTSE-100 healthcare company with operations worldwide, is at the forefront of technical innovation and a world leader in its field. With a strong sales and profit base, the Group looks forward to continued expansion. Its group finance function manages reporting systems at 50 locations and is looking for a Group Reporting Manager to join their head office team.

Reporting to the Group Financial Controller, you will be responsible for providing the Group's reporting system for senior management.

Responsibilities will include:

- Providing a database consolidation system worldwide.
- Consolidating the annual budget and monthly performance indicators.
- Designing and developing the next generation of reporting applications.
- Managing a small professional team and maintaining user training worldwide.

The successful candidate will be a qualified accountant, either ACA or ACMA, with three years post qualified experience in a commercial environment. You will be able to demonstrate a resilient and responsive attitude, combined with interpersonal and organisational skills. You should also have operational experience of database consolidation systems.

This is an outstanding career opportunity for the right candidate, with the potential to develop a career within a multinational company.

Interested candidates should send their CV to Malcolm Kelly, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH, quoting reference 336092.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Nottingham Reading St Albans & Worldwide

Financial Systems Accountant

Central London **to £40,000 + Car**

Our client, a global chemicals organisation and market leader in its field, with 53 operations in over 18 countries and sales of £1 billion, is firmly committed to expand its operations globally by way of organic and acquisition-led strategies.

The dynamic changes across the group have created a rare and exciting opportunity for a high calibre systems professional who has the confidence to challenge existing practices and to drive and facilitate further development group wide.

Working closely with the Group Management Accountant, key responsibilities of the role will include:

- Development, use and interpretation of advanced modules, schedules and tools for forecasting, budgeting and statutory reporting.
- Managing the integrity and exchange of best practice between central head office and operating companies worldwide.
- Key intermediary in the promotion and co-ordination of a group-wide reporting system to aid business decision-making and achieve financial efficiencies.
- Providing proactive management support and close liaison with IT and finance staff, including ad-hoc projects and training.

Candidates will be qualified accountants, aged between 27-35, with strong IT/pc skills, or have knowledge/experience of consolidation accounting systems, preferably Commander FDC. Extensive Excel modelling experience is essential. Credibility, maturity and strong interpersonal skills are also prerequisites, as is a persuasive and proactive style.

Interested applicants should apply in writing to Jazz Dhanda at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH, quoting reference 339427.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Nottingham Reading St Albans & Worldwide

Financial Standards Manager

Hampshire **c £40,000 + Car**

Our client is a world leader in the science of information technology and its application to achieve clients' business objectives. Working in partnership with its customers, the company offers a full range of services from consulting in the strategic use of information and business re-engineering, through systems design, development and integration to the outsourcing of the entire IT function.

An internal promotion has created the need to recruit a Financial Standards Manager for the European Head Office. Reporting to the European Group Financial Controller, this role is seen as critical in ensuring the consistency of accounting policies and procedures across the European organisation.

The ability to quickly gain a full understanding of the services offered by the company and the accounting issues that can arise will be vital. Specific responsibilities will include the maintenance of European policies to facilitate the harmonisation of accounting and reporting, the provision of technical knowledge to senior Finance Managers within the business, the accounting aspects of acquisitions and the application of US GAAP in this environment.

The successful candidate, probably aged 30-40, will be a graduate calibre qualified accountant with a strong technical knowledge of UK and US accounting requirements. It is likely that candidates will be in a similar role in industry or a Manager in the accounting profession. You will have well developed interpersonal skills along with a high level of personal presence, maturity and commercial acumen, which will be vital in order to make a positive contribution to the future success of the business.

Interested candidates should forward a comprehensive CV, including details of current salary and daytime telephone number, quoting ref 339096 to Wayne Mason ACCA, Michael Page Finance, 33 Blagrave Street, Reading, Berkshire RG1 1PW.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Nottingham Reading St Albans & Worldwide

Chief Financial Officer

Investment Banking **£ Outstanding Package**

Our client is the investment banking subsidiary of a leading global institution and has a rapidly expanding business in the debt and treasury markets.

The scale of this growth, both in terms of transaction volume and product sophistication, has created the need for a truly outstanding finance professional to be Chief Financial Officer and a key part of the senior management team.

The role will incorporate all aspects of finance including product control, financial accounting, management reporting, systems development, taxation and regulatory issues. There will clearly be considerable interface with all other support functions and the front office management team.

Candidates will be graduate chartered accountants, probably aged 35-45, with a demonstrable record of achievement with a high quality investment bank. They should have experience of change management, strong leadership and man management skills supported by a detailed understanding of debt and treasury instruments including interest rate and foreign exchange derivatives. Long term prospects for the exceptional individual sought are outstanding.

The remuneration package will include a substantial base salary, a highly attractive bonus scheme and supporting benefits and will not be a limiting factor for the right candidate.

In the first instance, interested applicants should write, enclosing a comprehensive curriculum vitae and full details of remuneration package to Jonathan Williams, Managing Director, Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Please quote reference 322260.

Michael Page City
International Recruitment Consultants
London Paris Frankfurt Hong Kong Singapore Sydney

J Ray McDermott SA
Middle East and Far East Operations

Accountant

18 month renewable single status contract
Salary + Allowances c$45,000 (tax free)

J Ray McDermott are leaders in the design, engineering and project management of major offshore and onshore oil and gas facilities. We are now seeking to appoint an Accountant to provide accounting support for our operations in the Middle East, Far East and Azerbaijan. Based in our Dubai offices, the position will involve extensive travel and will include:

- Treasury and Project Finance
- Tax Administration
- Management Accounting, including Budgetary Control and Contract Accounting
- Development of Systems and Procedures
- General Administrative services, including Payroll

A high calibre graduate, applicants should possess one of the following qualifications: CA/ACMA/ACCA/CPA, and have at least one year's post qualified experience together with excellent interpersonal and communication skills.

In addition to an attractive salary and benefits package, you can expect to receive subsidised medical insurance, accommodation and two rotation air tickets to UK pa. Applicants should write with full CV to:

Michel Agini, McDermott Dubai,
PO Box 3098, Dubai, United Arab Emirates

"Future Captains of Industry"

OPERATIONAL CONSULTANTS

Brentford - up to £37,000 + Bonus + Car + Outstanding Benefits Package

SmithKline Beecham is one of the world's most innovative and highly respected healthcare companies. Its principal activities are the discovery, development, manufacturing and marketing of pharmaceutical medicines, health related consumer brands and clinical laboratory testing services. The Company's vision is to be the global leader in healthcare by becoming an integrated healthcare company.

Operational Consultancy within SmithKline Beecham is a multi disciplined, high profile, specialist team acting as a cross-functional trouble-shooting taskforce. The Team undertake a wide variety of projects across all areas of the business, including manufacturing, logistics and supply chain, research and development, and sales and marketing, with approximately 40% of your time spent on consultancy projects and the remainder on audit reviews. The International dimension provides excellent exposure to a variety of economic, social and cultural issues from highly developed and sophisticated Western Europe markets through to the emerging high growth markets of Eastern Europe, Africa and Asia.

Operational Consultancy, therefore, provides an exceptional insight into the international operations of a major global organisation and consequently acts as the springboard for high calibre finance professionals to reach the top echelons of financial and general management within this major Blue Chip international corporation.

To succeed in this extremely challenging position, the ideal candidate will be a sophisticated communicator with the intellectual capacity, commercial focus and determination to reach the top. Whether you have trained in practice or industry, it is unlikely that you will have less than 3 years post qualification experience and will already be identified as a fast track professional with an outstanding record of achievement to date.

SB SmithKline Beecham

For further information please contact either Lindsay Dell or Jeremy Hancock (quoting ref: FT0093) at FSS Financial on 01753 621866 (Jeremy in the evening on 01372 274337) Fax: 01753 621877. Alternatively send your curriculum vitae to PO Box 2489, London, W1A 2YL, quoting Job Ref 1982.

FSS FINANCIAL
AN FSS GROUP COMPANY
Consultants in Financial Recruitment, Search & Selection

FINANCIAL CONTROLLER
Kent

Following Brands Hatch Leisure PLC's successful flotation in 1996, a proactive manager is required to interface with all areas, providing top quality management information, to tight deadlines, highlighting key performance indicators, explaining variancies and identifying trends, to ensure business objectives are achieved.

You will be a highly computer literate, FCA, ACA or ACMA accountant with a management accounting bias and 4-5 years' post qualification experience, preferably gained within a multi-site, service led organisation.

Please send your CV with details of current salary package in strictest confidence to:

Donna Newell,
Personnel Team Leader,
Brands Hatch Leisure Group Limited,
Fawkham, Longfield,
Kent DA3 8NG
Tel: 01474 872331
Fax: 01474 879259

BRANDS HATCH
LEISURE GROUP LIMITED

GROUP PROJECT ACCOUNTANT

NEWLY/RECENTLY QUALIFIED ACA
c£35,000 + BONUS + CAR SURREY

This is an exceptional career development opportunity with a multinational fmcg group, whose brands are household names throughout the world. A market leader in the manufacture and distribution of sports goods, our client turns over £300m and operates through 30 units worldwide. As part of an ongoing strategy of change, innovation and growth, it is now moving to a new Head Office and expanding its finance team.

This is a high profile role reporting to the Group Financial Controller and undertaking projects for the Managing Director and Finance Director. The brief will be to participate in any one-off exercises requiring financial or project management skills. These may include corporate finance and acquisition studies, business valuations, group restructuring, strategic reviews, capital expenditure appraisals and operational benchmarking. In addition the successful candidate will be involved in the development of management reporting, financial procedures and FX policies.

We are looking for an ambitious, high-flier who has qualified in the last four years with a major professional practice. Candidates should be commercially aware and capable of handling complex projects, applying sophisticated modelling and appraisal techniques. For an individual with senior level credibility and strong communication skills, this appointment will provide real scope for career development in a prestigious, forward-looking group.

Please reply in confidence, enclosing your CV and current salary details to Paul Carvosso at Howgate Sable & Partners, 35 Curzon Street, London W1Y 7AE, quoting ref: FT435P.

Visit our web site at http://www.topjobs.co.uk/howgate

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& PARTNERS
EXECUTIVE SEARCH AND SELECTION

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FINANCIAL CONTROLLER

Biocompatibles

Surrey

Excellent salary package including options, bonus

Established in 1984, Biocompatibles International plc is one of the fastest growing healthcare companies in the world. The Group is highly regarded in the City, its market capitalisation having risen from £74 million at flotation in 1995 to over £800 million today and the stock now features in the FTSE 250. There are numerous commercial opportunities for the Group's innovative technology and growth prospects are exceptional.

A new role has been created to strengthen the finance team and help shape the organisation to meet the complex challenges of rapid international growth. Key involvement will be to:

- Provide operational management with strong commercial and financial support
- Evolve control and reporting systems to deliver profitable, added value benefits
- Drive forward efficiencies in planning, budgeting and forecasting
- Anticipate change and implement new initiatives to keep pace with business needs

This high profile role provides an excellent opportunity for "fast track", international career development. Candidates will have outstanding academic and professional qualifications combined with at least 10 years of demonstrable commercial achievement, preferably gained in fast moving, consumer led environments. Innate enthusiasm for personal impact and positive change management is essential.

Interested candidates should write with full CV, quoting current rewards package to Mark Hurley, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY, Tel: 0171 430 9000, Fax: 0171 405 5995, quoting ref: HMH/10243/FT.

Hoggett Bowers
EXECUTIVE SEARCH & SELECTION

INVESTOR IN PEOPLE

THE PSD GROUP

Finance Director

Germany **DM150,000 + Bonus + Car**

Our client, a publicly quoted, British based multinational is one of Europe's leading textile and clothing companies. With 50% of current turnover derived overseas, they are currently seeking a highly commercial Finance Director for one of their German manufacturing subsidiaries.

Working closely with the Chief Executive, the appointed candidate will be a key member of a newly established management team, with overall responsibility for finance and continued improvement of systems. You will be instrumental in the long term growth and success of operations by formulating and implementing the company's plans and strategies.

The candidate will probably be aged 30-45, a graduate, qualified accountant, who has worked in a senior financial role with a major international company. You should speak German and be able to demonstrate self motivation and leadership qualities. A track record of success with technical, commercial and product costing issues in a fast moving production environment is a prerequisite. Experience of working in Germany would be an advantage, but above all you must have the strength of personality, flexibility and enthusiasm to succeed in an expanding international business.

This is a senior appointment within the international group and is expected to offer significant long term potential in financial or operational management overseas or in the UK.

Interested candidates should send their curriculum vitae to Dean Ball at Michael Page, Clarendon House, 81 Mosley Street, Manchester M2 3LQ. Please quote reference 229159.

Michael Page International
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Singapore Sydney Melbourne

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Financial Controller

Central London **c £42,000 + Car + Bonus**

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London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds Maidenhead Manchester Nottingham Reading St Albans & Worldwide

Chief Financial Officer

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International Recruitment Consultants
London Paris Frankfurt Hong Kong Singapore Sydney

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Middle East and Far East Operations

Accountant

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FINANCIAL CONTROLLER

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FINANCIAL CONTROLLER

Biocompatibles

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Surrey

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- Evolve control and reporting systems to deliver profitable, added value benefits
- Drive forward efficiencies in planning, budgeting and forecasting
- Anticipate change and implement new initiatives to keep pace with business needs

Excellent salary package including options, bonus

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EXECUTIVE SEARCH & SELECTION

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Germany — DM150,000 + Bonus + Car

Our client, a publicly quoted, British based multinational is one of Europe's leading textile and clothing companies. With 50% of current turnover derived overseas, they are currently seeking a highly commercial Finance Director for one of their German manufacturing subsidiaries.

Working closely with the Chief Executive, the appointed candidate will be a key member of a newly established management team, with overall responsibility for finance and continued improvement of systems. You will be instrumental in the long term growth and success of operations by formulating and implementing the company's plans and strategies.

The candidate will probably be aged 30-45, a graduate, qualified accountant, who has worked in a senior financial role with a major international company. You should speak German and be able to demonstrate self motivation and leadership qualities. A track record of success with technical, commercial and product costing issues in a fast moving production environment is a prerequisite. Experience of working in Germany would be an advantage, but above all you must have the strength of personality, flexibility and enthusiasm to succeed in an expanding international business.

This is a senior appointment within the international group and is expected to offer significant long term potential in financial or operational management overseas or to the UK.

Interested candidates should send their curriculum vitae to Dean Ball at Michael Page, Clarendon House, 81 Mosley Street, Manchester M2 3LQ. Please quote reference 229159.

Michael Page International
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Singapore Sydney Melbourne

Financial Controller

Central London — c £42,000 + Car + Bonus

Our client is a joint venture between two of the largest computer services companies in the world. It is the leading supplier of expertise in its particular market, encompassing consultancy, systems support and business solutions. With a blue-chip client base in the UK, as well as a network of sister offices throughout Europe, the company is poised for a dynamic growth phase.

The role of Financial Controller is seen as vital to its growth. Reporting directly to the Managing Director and as a member of the management team, you will have full responsibility for the finance function including the management of a small team.

Most importantly, you will be expected to make a significant contribution to the future of the business.

The successful candidate will be a qualified accountant with commercial experience, strong communication skills with non-finance personnel and the ability to progress into a more senior role within the organisation.

If you believe you have the necessary skills, please send a copy of your curriculum vitae to Andrew Bentote or Peter Gerrard at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH or alternatively fax: 0171 831 2612.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds Maidenhead Manchester Nottingham Reading St Albans & Worldwide

Opportunities with a world leader - Germany

Are you ready to join a company that regularly redefines the word progressive?

Hyperion Software is one of the fastest growing and most progressive global software companies. Founded in 1981, today operating in 25 countries with a world-wide revenue exceeding $172 million, we market and support the world's best selling, Windows-based enterprise financial management reporting systems. More than 3000 complex blue-chip organisations across the globe rely on our expertise for intelligent, fully integrated solutions.

Our German Operation, with its head office in Frankfurt and another base in Munich, represents one of the fastest growing markets in Europe. We now intend to support this growth by opening two further locations in Germany in the coming year and we are therefore looking for people with the drive and stamina to set the pace for a major expansion in Germany.

Senior Sales Management

Your ultimate goal will be to maintain and extend our business in Germany.

You will achieve this by managing, inspiring and developing our multifunctional team of professionals and by meeting the challenge of continuously evolving goals.

Results orientation, enthusiasm and initiative are key attributes for this position.

Educated to degree standard with the support of a finance and accountancy focused business qualification, you must be able to demonstrate a track record of success at senior management level with considerable previous active involvement in a financial management or software environment.

Sales Executives

The Sales Executives will maximise the amount of Software Sales Revenue derived from an allocated territory.

You excel at meeting and beating your targets and have the experience and tenacity to quickly establish yourself as a respected professional in the field.

The ideal candidate for this position will have a proven sales record within the software industry, including a minimum of five years direct selling experience at senior executive level. Knowledge of the financial/banking sector would be a big advantage.

Consultants - Statutory Applications

Providing high-level consultancy services in the field of statutory consolidation, you will apply your accountancy and technical expertise to analyse client needs. Working closely with the sales team, to advise on all aspects of this and related applications, you'll have the scope to utilise your extensive technical knowledge of the PC/Network environments and your commercially astute understanding of competitive products in the marketplace.

Educated to a degree level in accountancy/finance discipline, you will have the experience of preparing both statutory accounts and management reporting, and the credibility to inspire confidence at any level.

Business/Technical Consultants

You will be responsible for implementing the full range of Hyperion products by developing solutions to meet the specific needs of our clients. To deliver effective training courses and prototype solutions is also part of the job.

The ideal candidate for this position will have a degree with a formal financial qualification. Special knowledge in areas such as networks/operating systems, intranet solutions, databases, data warehousing and experience from project management is highly desirable.

Self motivation, strong interpersonal skills and an analytical approach to problem-solving are the personal attributes we will be looking for.

For all positions mother tongue German and excellent English are essential. Senior Sales Managers positions are based in Frankfurt. Other positions could be based at any of our German locations.

To apply, please send you CV, stating position of interest as well as details of where we can contact you, by mail, fax or e-mail to: Sandmark Executive Search, rue Charles Degroux 35, B1040 Brussels Fax + 32 2 733 18 21
E-mail: CompuServe100705.326@compuserve.com

Hyperion software

EMERGING MARKETS
GLOBAL DERIVATIVES PRODUCT CONTROLLER

Dominant player in dynamic new business area

Global Investment Bank **c.£60,000 plus bonus**

One of the first of the premier global corporate and investment banking firms to invest in the emerging markets, our client has developed a pre-eminent reputation for consistent profitability and creativity in these high risk markets.

As a natural extension of this business they are establishing an international fixed income sales and trading derivatives infrastructure with the intention of rapidly building this capability. This is a global business managed from London which will be trading the latest generation of derivative products.

A new position has been created for a dedicated product controller to build a team in order to establish a sophisticated level of risk control and profit and loss reporting for this business start-up. The role will involve a considerable element of modelling and valuation of highly complex structured products.

A qualified accountant, you will have obtained two to four years post qualification product control experience dealing with complex OTC derivatives. Previous emerging markets experience would be an advantage but is by no means essential. Accomplished team management skills and the ability to relate effectively with the front office will be prerequisites.

This role will appeal to an ambitious individual wanting to stretch themselves beyond the routine of daily P&L reporting. The nature of the business and the anticipated pace of growth will require lateral thinking, mental agility and the determination to make an effective contribution. Such an opportunity, to grow with an exciting new business, is exceptional.

To apply in the strictest confidence, please write, quoting ref: 0274, enclosing a full CV to Tim Musgrave at The Bloomsbury Group, 4th floor, 1 Southampton Street, London WC2R 0LR. Fax: 0171 240 6362. Or, if you prefer, call him on 0171 379 1100.

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INTERNATIONAL FINANCIAL CONTROL OPPORTUNITIES

WORLDWIDE **EXCELLENT TAX EFFICIENT PACKAGE**

This global business media group, with a turnover in excess of $300m, operating in most of the major capital cities, has need to recruit a number of high calibre finance professionals to assume local or international roles as part of continued global expansion.

Reporting to the Chief Financial Officer you will be an integral member of a dynamic project-led team. Responsibilities will be both demanding and varied, but will incorporate all aspects of:

- financial reporting and control
- systems development and integration
- due diligence including acquisition and competitor analysis
- recruitment and development of staff
- various ad hoc projects.

The positions are available on either a permanent or long-term contract basis.

Aged between 25-35, candidates will be of graduate calibre and experienced qualified accountants with a recognised professional status. A background in a fast-moving and flexible, entrepreneurial culture, whilst not being a necessity, would be an advantage – as would a foreign language.

These exceptional roles are likely to suit self starters with flexible working approaches. Strong systems knowledge is essential.

If you are an energetic, enquiring individual with commercial acumen and a real drive to succeed then you should forward your curriculum vitae stating current salary package and passport/visa status to Kacey Young (for permanent) or to Gareth Flynn (for contract) at Robert Walters Associates, 25 Bedford Street, London, WC2E 9HP, fax: 0171 304 4131, E-mail: kacey.young@robertwalters.com or gareth.flynn@robertwalters.com. Please note that for contract roles there will be no visa restrictions.

ROBERT WALTERS ASSOCIATES

FS30091

LONDON AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

Up to £35k + car + benefits. Borehamwood, Herts.

Key financial analyst roles in one of the world's fastest growing industries

With over 545,000 customers, the digital network used by One 2 One covers 80% of the population of Great Britain, and will cover 95% by the winter of 1997/8. More than 30 million calls are handled each week. 70% of our subscribers use the service every day. Our capital expenditure programme until March 1998 totals £970 million and we are increasingly focused on the value added services we can offer our customers. The business potential of this market sector is vast.

To help us realise our phenomenal potential we need Financial Analysts to make a significant contribution to the running of our business. These are hands-on roles where your proactive involvement will be key to our growth and will offer you limitless potential to maximise your talents and skills.

Financial Analyst – Network Services

You will work with Business and Technical Managers involved in running our mobile network. Your role will involve analysing and projecting costs and revenues as well as evaluating and validating business cases for major products and services proposals. Monitoring and reporting on the progress of the network capital programme will also be a key aspect of your role.

Above all, you will help develop real understanding of the cost drivers in the business to support business planning and profit enhancement programmes.

You'll need:

- the ability to communicate with highly technical staff to ensure that the financial implications of technical decisions are fully understood
- experience gained in a telecoms, IT or cable organisation
- ideally, experience with cost allocation techniques and ABCM. Ref:RH6270

Financial Analysts – Commercial

Working closely with Business Managers, you will analyse and project financial performance data for key business areas. You'll report and interpret, business results, identifying issues, risks and business implications. You will also evaluate and validate business cases for major projects.

You will need:

- 2 years' PQE in a commercial environment, ideally, telecoms or FMCG.

Ref:RH6271

For all roles you'll need to be a qualified ACMA or ACA with excellent presentation and communication skills – and you will be used to dealing comfortably up to board level. We are seeking strong, determined and confident individuals with powerful influencing abilities. Furthermore, you'll have competent PC modelling skills and be experienced in conducting business analyses.

In addition to attractive salaries, we offer the sort of benefits you would expect from a progressive, fast growing international company – together with exceptional career prospects in one of the world's most exciting industries.

To apply, please send your full CV, quoting the appropriate reference, to Stafford Long & Partners Recruitment Ltd., 30-32 Whitfield St., London W1P 6HR. Fax: 0171 304 4433.

Alternatively apply on-line via JobSurf http://www.job-surf.com

One 2 One is a joint venture company equally owned by Cable and Wireless and US West, two of the worlds leading communication companies.

one 2 one

Corporate Financial Analyst

c. £40,000 & car

This is an opportunity for an ambitious Chartered Accountant with 2 or 3 years post-qualification experience (gained either in the profession or in a first job in commerce) to join the dynamic Corporate Headquarters Finance team of a major Aviation/Travel Services Group.

The job will involve a range of projects in Corporate Finance; Treasury; Financial Control and Reporting; Forecasting and Budgeting; and Systems; with direct accountability to the top level in the Group. The range of experience and exposure make this an exceptional career opportunity and an invaluable stepping stone on the route to the top.

The role calls for a confident pro-active individual, strong-minded and decisive, with the intellectual ability to pick up new situations quickly, identify the central issue and deliver a prompt solution. A good academic record and above-average professional experience are an important basic requirement.

The position will be based in the vicinity of the M25/M4 junction.

Please reply in confidence quoting ref: L628 to

Brian Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 0171-240 7805

Mason & Nurse
Selection and Search

Coopers & Lybrand | Executive Resourcing

THE NATIONAL TRUST

Director of Finance

£67,500 P.A. + CAR

The National Trust is a leading conservation charity, established just over 100 years ago to protect countryside, coastline, gardens and historic buildings for the nation to enjoy. It is independent of Government and relies for most of its £150 million income on voluntary supporters, including over two million members.

Reporting to the Director-General, working closely with the Finance Committee and acting as a member of the Management Board, you will have direct responsibility for some 60 head office finance and IT staff and functional responsibility for a further 80 or so in the 16 regions. Key functions will be to manage the finances of the Trust in accordance with plans and budgets agreed with the Finance Committee and Council, provide advice on the generation of financial resources and oversee the ongoing development and implementation of a cost-effective IT strategy.

A qualified accountant, with a strong commercial focus, you will almost certainly have worked for, or trained with, a "blue-chip" organisation and must have a proven record of successfully managing a substantial finance function in a complex, multi-site and stand-alone organisation. Accustomed to working in a matrix organisation you must be effective at both strategic and operational levels. First hand knowledge of developing and implementing advanced, networked IT systems will be essential. Drive, energy and a commitment to the objectives of the Trust should be combined with very highly developed interpersonal and people-management skills and the personal standing and stature commensurate with such a high profile role.

Based at Westbury in Wiltshire, the role will involve frequent travel to London and extensive travel throughout England, Wales and Northern Ireland.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Torrance Smith at Coopers & Lybrand Executive Resourcing Ltd, 1 Embankment Place, London WC2N 6NN, quoting reference TS1243 on both envelope and letter.

Financial Analyst

London **£ Excellent + Car + Bonus**

Our client is an acknowledged world leader in the global development of co-generation and independent power projects. Operating in a fast moving environment, the company is now seeking a similarly ambitious and confident individual to join the finance team of its European, Central Asia, Middle East and Africa region, based in Central London.

Involved in the business from project development through to operations, analysis and project management, you will play a fundamental role in enhancing success and profitability. A strong team culture exists within a democratic environment and participation at high levels will be assumed. Principal areas of activity will include:

- Performing overall financial analysis for purchase or construction of various co-generation and large power producing facilities.
- Applying IRR and NPV techniques to analyse the above projects.
- Supporting negotiations and servicing of, project financing and financial risk management instruments.
- Developing project operational models in support of asset management activities.

The successful candidate will benefit from exposure to a variety of cultures and projects and work with colleagues across the development, legal and engineering functions. High achievers will find themselves with a wide range of opportunities to progress their careers.

Relevant candidates will have more than two years post qualification experience and have trained in a large accountancy firm or an illustrious commercial organisation or bank. Corporate finance or analytical experience is desirable. Strong spreadsheet skills are essential. A second language would be an advantage.

If you have the ability to contribute to a dynamic team culture, enjoy having scope for lateral thinking and a questioning, proactive style, then send a comprehensive curriculum vitae stating current salary package to Martin Dowson at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH, quoting reference 338180.

MP

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Nottingham Reading St Albans & Worldwide

Finance Manager

Southern Poland **Excellent Package + Reloc.**

With a turnover in excess of DM 4.1 billion, our client is a subsidiary of one the largest producers of packaging materials for the food and beverage industry. Polish operations began in 1994 with a manufacturing facility for the largest subsidiary, serving customers across Europe. Due to the continued expansion of the company's business in Eastern Europe, a need has arisen for a dynamic Finance Manager to take charge of the accounting and finance function based in Southern Poland.

Reporting to the European Finance Director and locally to the General Manager, you will be a full member of the local management team. Responsibilities will be the on-going design and implementation of Western accounting procedures to include budgeting, forecasting and cash flow analysis. Other duties will include supervising the preparation of local and international statutory accounts.

This is a hands on role and candidates should have already some management experience gained in an audit or Western company environment in Poland. Knowledge of US GAAP and Polish reporting principles are essential. In addition, applicants should be qualified or part qualified accountants with an internationally recognised qualification. Due to the locatioo and nature of this role, knowledge of the Polish language is a pre-requisite.

The company is committed to the growth and development of all its employees and therefore offers excellent career progression opportunities for the successful candidate.

Interested candidates should forward a comprehensive CV with salary details in confidence, quoting reference 302098 to Catherine Zasadzka, at Michael Page Eastern Europe, Page House, 39-41 Parker Street, London WC2B 5LH, England or by fax on +44 (0) 171 404 6370, telephone +44 (0) 171 269 2384.

MP

Michael Page Eastern Europe
International Recruitment Consultants

Tiger Economy – Genuine Career Opportunity

Finance Manager

Malaysia **US$ Attractive Package**

Boasting an impressive range of consumer branded products, our client is a multi-billion US dollar company. With an outstanding reputation built on quality products, innovative marketing techniques and strong management, the company is recognised as the leader in its field. Rapid growth within the Asia Pacific region has created an opportunity for a high calibre finance professional to join their recently set-up operation in Malaysia. Forming an integral part of the new management team, the position will involve significant commercial focus with exposure to all aspects of the business.

Your key responsibilities will be:

- Assist in the formulation and implementation of the business plan for the new operation ensuring that the company runs smoothly on a day-to-day basis.
- Implement and develop the overall accounting for manufacturing operations.
- Responsible for the budgeting and forecasting process as well as the monthly reporting.

This opportunity requires a qualified accountant with 5-8 years experience ideally gained within a multinational environment. You will have a hands-on approach, coupled with the ability to think strategically. Excellent communication skills in both English and fluent Malay together with a high degree of computer literacy qualifications is required by the successful candidate. Costing or manufacturing based experience is preferred but not essential.

Excellent career prospects and a highly attractive package will be available to the successful candidate. Candidates with more or less experience will be considered on their merit. Based near Kuala Lumpur, the opportunity would suit a Malaysian who has lived abroad and is looking to return home. Preliminary interviews will be conducted in our London office or Hong Kong.

If you are interested in the above, please telephone Nigel Milford (Manager) on 00 852 2530 2000, or fax your CV together with details of current and expected salary to 00 852 2530 2255 quoting ref NM129 at Michael Page International, 601 One Pacific Place, 88 Queensway, Hong Kong.

MP

Michael Page International
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Singapore Sydney Melbourne

GROUP FINANCE DIRECTOR

North London **Competitive Package + Equity Opportunity**

We are a medium-sized dual sited independent food manufacturing group operating in a niche market. The present turnover is £23m with strong growth forecast over the next three years.

The position reports to the Managing Director and requires a proactive individual capable of commercial input and with a hands-on financial approach. It is expected that the individual will be capable for making a strategic contribution to the board, manage relationships with the City and help in the identification of suitable acquisition opportunities.

The ideal candidate will be a graduate Chartered Accountant with at least 5 years post-qualification experience who can co-ordinate the financial plan behind the company's future growth strategy.

For further information please forward your full CV and expected remuneration package to:

Mrs Anne Clark
Personnel Manager
Rayner & Co Ltd
4 Bull Lane, Edmonton
London N18 1TQ

MANAGER, BUSINESS ANALYSIS

US Fortune 500 Group

C. London - £45,000 - £50,000 + Car + Bonus

Our client is a world leader in healthcare information services and has an outstanding record of innovation and growth in demanding worldwide markets. Proactive and sophisticated financial management plays a key role in their success.

Reporting to the Director of Business and Financial Planning and working closely with the CFO and other Senior Management, you will be responsible for a diverse range of projects including:

- **Analysis and presentation of financial and business results**
- **Development and implementation of strategic and business planning**
- **Investment and capital planning**
- **Ad hoc commercial projects**

This is a demanding and critical role requiring strong business analysis and commercial skills. You will be a highly motivated and flexible individual with strong interpersonal and presentation skills. In addition, you will have an understanding of compl[illegible] multi-national organisations, most likely gained with a renowned consultancy firm, a top accountancy practice or the headquarters of a multi-national organisation. An MBA is desirable but [illegible] essential.

This is a high-profile [illegible] successful and high[illegible] within [illegible] to 2[illegible] rently [illegible] should not be deterred from [illegible]

To be considered for this exceptional appointment please call Dawn White on 0171 209 1000 or send/fax your CV (quoting reference FT0096) to FSS Financial, Charlotte House, 14 Windmill Street, London, W1P 2DY. Fax: 0171 209 0001 e-mail: dw@fss.co.uk

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AN FSS GROUP COMPANY
Consultants in Financial Recruitment, Search & Selection

INTERNATIONAL FINANCIAL CONTROLLER/FD DESIGNATE

US Multinational Market Leader

Midlands - Package to £80,000 + executive benefits & share options

This young, dynamic US quoted company has gained global leadership through strategic acquisitions and continual brand development, manufacturing and distributing capital equipment through a worldwide network of independent dealers.

Sales growth and profitability have been outstanding and their aggressive business strategy will continue to focus on increased market share and improved shareholder value.

The UK based headquarters of the company's international operations, which provide strong functional management and direction to all its activities outside the Americas, have a turnover of $2 billion.

The company wishes to appoint a Financial Controller who has the ability and ambition to progress to the role of Finance Director in the near future.

Your initial objectives are to provide a highly effective accounting service covering all international operations while making a significant personal contribution to the commercial vibrancy and success of the business. You will manage an experienced team of over 50 qualified and support staff, and will deputise for the Finance Director as required.

Ideally aged early to late 30's, you will be a graduate qualified accountant of outstanding calibre, with a proven track record and several years experience ideally gained in an international manufacturing, engineering or distribution environment. Previous exposure to a demanding US parent company will be an advantage.

The company values individuals who are committed to delivering high quality results within a fast moving and continually changing environment. Strong commercial awareness, proven management skills and an influential approach are prerequisites. In return, the company offers high rewards and excellent promotion prospects.

To be considered for this exceptional appointment please call Suzanne Swycher on 0171 209 1000 or preferably send/fax your CV (quoting reference FT0094) to FSS Financial, Charlotte House, 14 Windmill Street, London W1P 2DY Fax: 0171 209 0001 e-mail: ss@fss.co.uk

FSS FINANCIAL
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Consultants in Financial Recruitment, Search & Selection

Recently Qualified

Internal Auditor

London Based ***c.£30,000 + Car***

With a growing client base and increasing product portfolio, this hugely successful UK service organisation can offer an ambitious, recently qualified chartered accountant the perfect opportunity to move into the challenging and rewarding commercial sector.

This is a pivtol and wide ranging audit role that will provide a rare insight into all the Group's activities. Reporting at Board level, you will evaluate certain areas highlighting internal weaknesses and adding value to business processes and the management of business risk. Additionally, you will support line managers with quality advice to aid them in maintaining high operational standards and financial control.

To succeed you will need excellent communication skills, an inquiring mind and strategic vision and be able to demonstrate considerable tact and discretion. Your flexible approach and professional attitude in this high profile role will lead to outstanding career opportunities within two years.

Please write, enclosing a full CV and contact telephone numbers to Patrick Donnelly, quoting reference FT/152.

PD Consultants
23 Durlston Road, Kingston-Upon-Thames, Surrey KT2 5RR.

Thames Water

Financial Controllers

Change Management Opportunities

The Thames Water Group of companies is engaged in water-related businesses the world over. As well as operating the largest water utility in the UK, the company has developed a worldwide reputation for the supply of high quality water treatment products and services, water process engineering and specialist environmental services. With annual capital investment close to £400 million and a turnover exceeding £1 billion the company employs over 10,000 people.
Thames Water Services is a key division within the Group, with a turnover of close to £200 million, derived from six business units. Following a recent re-organisation of the division, there is a need to recruit for two of the business units.

FC-Utility Services

South East c £50,000 + Car + Relocation

Utility Services, with a turnover of £70 million, supports the core Thames Water business of supplying clean water and disposing of waste. A significant shift in strategy has led to an increasing emphasis on customer service and the company now seeks a high profile Financial Controller to assist the General Manager in driving through this change. The prime purpose of the role is to define, design and implement a responsive and commercial business support function. Responsibilities will include the introduction of key performance indicators, establishing more efficient business practices and raising the profile of the finance function with both internal and external customers.

Likely candidates will be qualified accountants with a strong commercial track record gained in a blue chip service or manufacturing environment. Most importantly, you will have gained practical experience of managing change in competitive and demanding trading conditions. Interested applicants should quote reference 336930.

FC-Grounds Maintenance

West Midlands c £40,000 + Car + Relocation

This business is the market leading supplier of grounds maintenance services to local authorities and private companies throughout the UK. With a turnover of £40 million the company employs 2000 people at peak season. The company now wishes to appoint an ambitious Financial Controller to the management team. The prime purpose of the role will be to integrate the finance function into the business unit and provide commercial support to the General Manager. Other responsibilities will include development and improvement of management information systems and contribution to the strategic development of the business particularly with regard to new product development.

Likely candidates will be qualified accountants who can demonstrate a successful career in a customer orientated environment. It is important that you can point to a track record of influencing and supporting non-finance managers at all levels. Interested applicants should quote reference 337234.

Interested candidates should write to Dan Chavasse at Michael Page Finance, 33 Blagrave Street, Reading, Berkshire RG1 1PW (FC Utility Services) or to Stephen Wilson at Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham B4 6QD (FC-Grounds Maintenance).

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Tel & Fax: (0)1481 721572
Email: marc@guernsey.net
WWW:
http://www.guernsey.net/~marc/offshore.html

Fund Accountancy – Retail & Institutional

Fidelity is the world's largest independent investment management organisation managing over $520 billion assets and serving 10 million retail and institutional investors around the world.

As a result of significant growth in both our institutional and retail businesses, we have several positions available within our fund accounting group. We are looking for ambitious professionals seeking an opportunity to join a dynamic, global company. If you are looking for a challenging and rewarding career, we can offer you exposure to a world class fund accounting group administering our UK, European and Far East funds and accounts.

Fund Accounting Supervisor

Responsible for:
- managing a team of part-qualified accountants
- planning, prioritising and reviewing the teams' workload making best use of systems and human resources
- recruiting, training and developing staff
- participating in the development of new products
- participating in the design, testing and implementation of new systems.

The Fund Accounting Supervisor position requires:
- comprehensive experience in an investment accounting environment ideally with some exposure to unit trusts
- a university degree and a professional accounting qualification such as ACA/CIMA/ACCA
- 2-3 years' supervisory/management experience.

Fund Accountants

Responsible for:
- daily control of portfolio accounting
- preparation of interim and year-end accounts for unit trusts, off-shore funds and investment trusts
- preparation of month-end control packages
- close interaction with our custody, tax and legal departments and our external custodians and auditors.

The Fund Accountant positions require:
- preferably degree level qualification
- at least 2 years' financial services experience, accountancy experience preferred
- excellent PC skills primarily with Microsoft Excel.

In return, all positions offer exceptional rewards and career prospects, in a team culture that combines City atmosphere and a beautiful rural location just 23 miles from London.

To find out more, please send your full CV, including salary details to:
Judy Cole, Human Resources,
Fidelity Investments, Beech Gate,
Millfield Lane, Lower Kingswood,
Tadworth, Surrey KT20 6RB.
Fax: 01737 836997.

Fidelity Investments™

GROUP FINANCIAL CONTROLLER

Very attractive package + bonus potential ***Herts/Cambs Border***

Established in 1986 we are a highly successful privately owned Group specialising in the sourcing, processing and distribution of a range of high quality products on an international basis. The group has achieved impressive year on year growth and from its current projected £25 million turnover is seeking to fill this key new role to support the continued development of the Group.

Reporting to the Group General Manager the position will have total responsibility for the Group's finance and IT functions and as part of the senior management team will be expected to make a wide ranging contribution to the direction and development of the business. The initial task will be to establish effective finance and IT systems to deliver more timely and relevant management information appropriate to the current and future needs of the Group.

The successful candidate will be a qualified accountant with a proven track record of managing a sizeable finance team within a rapidly growing organisation. A high degree of computer literacy, combined with in depth experience in championing the development and implementation of networked IT systems, across all business areas, is essential. A team player and "hands-on" by nature, you will be comfortable operating in an informal culture and have the credibility to influence at all levels. Perhaps the most important requirement will be the vision and breadth to make a broad commercial contribution to the development of the business and the drive and talent to aspire to board level.

In return the Group offers the opportunity to join a dynamic and successful business at an exciting point in its development, a substantial performance driven remuneration package and considerable scope for potential future career development.

Applications should be made in writing, enclosing a comprehensive CV and details of current remuneration package, to the following:

Gavin M Hill
General Manager
Meldform Metals Limited
York Way, Royston,
Herts SG8 5HJ

MELDFORM metals

GROUP FINANCIAL CONTROLLER

Guildford - £40,000 + Car + Bens

Our client is a European, high tech group, specialising in communication software and consultancy. Over the past five years, the group has grown at a rate of 75% a year, with a turnover in excess of £20m. With a varied and impressive blue chip client base, further significant growth and diversification is projected in line with their investment programme.

This is a key appointment to the senior management team, with an initial brief as follows:
- **Hands on control, development and management of the finance function**
- **Budgeting, forecasting and long term business planning**
- **Preparation and meaningful interpretation of detailed management information**
- **Tactical and strategic financial support for existing country operations and any new business ventures.**

With an impressive academic background you will be a qualified accountant who is able to demonstrate commercial awareness and have proven ability to address a broad range of business issues. Excellent communications skills, energy and a pro active approach are all essential qualities required for this role.

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A NEW WASHINGTON CONSENSUS • by Stephanie Flanders

Recipe for reform has been refined

Hindsight has produced some urgent debates over what should happen next

Seven years ago Mr John Williamson, a US economist, coined the term "Washington Consensus" to describe a revolution under way in Latin American policy-making. He has regretted it ever since.

Not that he had misjudged what was taking place. Governments across the region had embarked on a reformist agenda broadly along the lines he described. The trouble, as critics were quick to point out, was that it had very little to do with Washington.

"Calling it the Washington Consensus was provincial, pretentious and arrogant," says Professor Sebastian Edwards, economics professor at the University Of California, Los Angeles. "The reform ageoda developed out of political and economic changes in the countries themselves, not anything a few bureaucrats in Washington might have been saying."

The name, then, was unfortunate (as Mr Williamson himself has long since admitted). But the fact that most of the reform movements were home-grown did not disprove his central claim: that they were all heading in surprisingly similar directions.

Is the same true today? Many policy-makers and external advisers in Latin America would still stand by large chunks of that early reform recipe. But the benefits of hindsight experience have produced some important amendments – and some urgent debates over what should happen next.

Mr Williamson's 1989 list comprised 10 broad sets of reforms:

■ **Fiscal discipline:** to bring down public borrowing far enough so that governments would stop printing money and stoking inflation.

■ **Re-ordering public spending priorities:** shifting spending away from politically powerful groups – civil servants, the military and industrial snbsidies – toward urgent, poorly defended areas such as primary health and education and infrastructure.

■ **Tax reform:** raising economic efficiency by broadening the tax base and cut marginal tax rates.

■ **Financial liberalisation:** moving toward a system of market-determined interest rates and competitive allocation of investment funds.

■ **Exchange rates:** eliminating multiple exchange rates and ensuring a competitive, broadly stable exchange rate for exporters.

■ **Trade liberalisation:** replacing quotas and other quantitative trade restrictions with tariffs, which should be made more uniform and slowly reduced to spur domestic efficiency improvements through tougher external competition.

■ **Foreign direct investment:** lifting the barriers impeding FDI inflows and treating foreign and domestic businesses alike.

■ **Privatisation of state enterprises** (whicb accounted for 10 per cent of GDP, on average in Latin American countries in 1985).

■ **Deregulation:** abolishing market-unfriendly regulations to encourage greater efficiency and market competition.

■ **Property right reform:** to secure basic property rights for all members of the economy, including workers in the informal sectors.

At least one of the items on the list was already controversial in 1989: the proper bandling of the exchange rate. Mr Williamson was against fixing the exchange rate to reduce inflation, on the grounds that it could severely unbalance the economy over the long run and cripple the export sector. He believes the Mexican peso crisis and consequent recession vividly made his point.

Others, mindful of Argentina's greater success in sticking with its rigid exchange rate regime, would say the jury was still out. But recent experiences have brought home the risks of relying solely on a fixed exchange rate to achieve macro-economic stability. And the Mexican and the Argentina experience have both put the stability of the banking system much higher on the "Washington" reform agenda than in 1989.

Mr Williamson says that early efforts to deregulate domestic financial systems – as the "consensus" prescribed – paid too little attention to supervision. As a result, countries such as Mexico, Venezuela and Argentina have been extremely vulnerable to banking crises whicb then spread throughout the economy.

Governments' pursuit of greater fiscal disciplina, lower inflation, and more liberal trade has encountered fewer pitfalls. The average level of budget deficits in Latin America and the Caribbean fell by two-thirds between 1988 and 1995, from 5.5 per cent of GDP to 1.8 per cent. At the same time, Mr Williamson reckons that persistent efforts to liberalise imports mean that the level of the average tariff in Latin America is now close to the reformers' long-term goal of 10-20 per cent.

But reformers' success on these fronts has also helped to show up the areas where they have fallen behind. Prof Edwards is one of many who believes governments have been far too slow to tackle the vested interests which stand in the way of reform of public spending.

"Everyone in the region has been talking about tackling tbe social aspects of reform," says Prof Edwards. "But so far there has been very little action – and even fewer concrete results." Similarly, he believes that the need to give all the population, especially the poor, access to secure property rights and legal protection from the courts is as great as ever.

His remarks echo a broader worry about the reform period to date: that, whatever the soccess in implementing much of the initial agenda, this has yet to deliver concrete benefits to the mass of the population. By and large, growth in the region has been disappointing. On average, Latin America and the Caribbean have achieved 3.1 per cent growth in GDP per annum since 1991. This compares with an average of 6 per cent from 1965 and 1980 and an estimated 3.4 per cent minimum required to reduce poverty. The worry is that the lack of a "reform dividend" is making voters increasingly sceptical of the "consensus". At best, this could impede government efforts to press ahead with the crucial "consolidating" reforms. At worst, it could reverse the process altogether.

Awareness of these dangers has produced the beginnings of a "Washington Consensus, Mark II". This is not fundamentally inconsistent with the earlier version. It does, bowever, inclnde important changes of emphasis.

Item one on the revised list would be the renewed emphasis on the social dimension mentioned above, focusing on channelling public funds into orgent investments in bealth, education and infrastructure. The second important area, given less emphasis in 1989, would be to boost national savings rates to foster more rapid investment and growth. At first, most believe that this can only be achieved through higher rates of public saving.

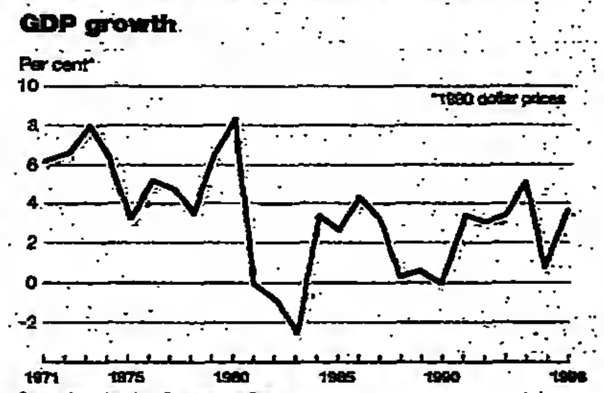
Mr Albert Fishlow, economist at the Council of Foreign Relations, argues that if governments do not start running budget surpluses they are destined to repeat the experiences of the 1970s and 1980s and rely excessively on foreign inflows. "That is not the solution to the investment which more rapid growth will require," be says, "it is part of the problem."

The third striking shift of emphasis is on rebuilding legal and regulatory institutions and, more generally, the basic capacities of the state. For his part, Mr Williamson argues that reformers sbould focus less on shrinking the state and more on atrengthening public institutions.

Prof Edwards would make a similar amendment to the reform list. "The underlying assumption of earlier efforts was that reform would always weaken the state. Bnt there is a realisation that Latin America needs stronger states as well as smaller ones – states that can resist the pressure of special interests and protect the poor. I wouldn't say this was the new 'conseneus'. But we are heading in that direction."

Bridge linking Brazil and Paraguay: the reformers' initial agenda included shifting spending away from politically-powerful groups towards areas such as infrastructure Picture: Jose Francisco Diorio/Ae

GDP growth



Source: Inter-American Development Bank

REFORM • by Stephen Fidler

Hard work lies ahead

Further structural changes are needed if the region is to match Asian growth

The economic reforms introduced across the region since the late 1980s have yet to evoke tba growth response that many reform proponents were hoping for.

Does this maan the reforms have been wrong-beaded, or have they not been deep enough or broad enough? Or do they just need more time to work?

A paper prepared for discussion at s seminar on reform at the InterAmerican Development Bank annual meeting in Barcelona examines these questions.[1]

It concludes that the reforms contributed some 2¼ percentage points to Latin America's annual growth rate in the 1990s – but that the apparent effect was lessened by an unfavourable economic environment that chopped 1 percentage point from the benefit.

However, it concludes that Latin America "still does not look like East Asia". The growth gap with this region amounted to 4½ percentage points, 2¼ points of which could be made up by pursuing similar reforms and the rest by broadening the scope of reform. This latter process may have to include changes in legal frameworks, in the administrative efficiency of the public sector bureancracy, or in the distribution of assets, such as capital or land.

"Improvements in macroeconomic management are simply not sufficient for Latin America to achieve long-run growth rates comparable to those achieved in east Asia," the report states.

However, there is no evidence that Latin America is in some way "different" and reforms that have worked elsewhere are not working in the region.

Indeed, future growth should show some improvement even if reform is not intensified.

The paper cites recent economic research suggesting reforms undertaken along the following lines do influence growth:

■ Sustained low inflation is conducive to higher growth;

■ Government consumption has a negative effect on growth;

■ The preservation of private property rights and an open trade regime are critical to the achievement of rapid growth;

■ Deeper financial systems enhance growth;

■ Foreign exchange restrictions burt growth.

Another paper by IADB economist, Mr Michael Gavin[2] for discussion st the same seminar, concludes that the reform programmes have also reduced the volatility of Latin American economies. However, volatility remains high by international standards, and is still very high in several important countries – including Argentina, Mexico and Peru, all of which have made significant reform efforts.

Moreover, some of the greater stability of economies in the 1990s has been due to the existence of a more tranquil international environment than the region faced in the 1990s.

Neither paper, however, provides much in the way of proposals to address the shortcomings that remain, though the Gavin paper suggests four critical areas: government management of fiscal issnes, of domestic financial markets, of capital flows and of the exchange rate regime.

IADB economists have gone further in addressing some of these issues elsewhere. On budgetary issues, they have suggested an independent fiscal council – a sort of fiscal counterpart to an independent central bank – to avoid the tendency of governments to run a fiscal

Continued on page 4

LATIN AMERICAN FINANCE

Although structural weaknesses remain, market-oriented reforms have given the region a new stability, says Stephen Fidler

Investors warm to a benign climate

Investors in Latin America have cast off much of the pessimism generated by Mexico's financial crisis of 1994-95. Expectations of growth over tha next two years have been scaled up, and investors see the chance of a more sustained economic expansion replacing the volatility of the past.

Forecasters polled by UK-based Consensus Economics believe Latin American growth will accelerate from 3.7 per cent in 1996 to 4.2 per cent this year and 4.6 per cent in 1998.

At the same time, inflation is expected to drop from 17.7 per cent last year to 11.3 per cent this year, and then into single digits.

The performance of the region's stock and bond markets *since the start of last* year, and prospects for more privatisation in Brazil and elsewhere have intensified competition among investment banks and stockbrokers. Fees have declined dramatically.

Yields on Latin American bonds have fallen almost to the levels achieved by higher quality issuers, leading to qnestions about whether investors are being adequately compensated for the risks they are taking.

Meanwhile, foreign direct investors, including foreign buyers of Latin American banks, are increasing their commitment to the region, comforted by the continuity in economic policy displayed since the Mexican crisis.

Some economists have picked out a pattern in the region's fortunes following the market-orieoted economic reforms of the last decade. According to Mr Ricardo Hausmann, chief economist of tha InterAmerican Development Bank: "The reforms generated a powerful economic cycle that started with a hoom typically lasting about three years. This is followed by a period of stress – low growth, high real interest rates and pressure on the exchange rate – that could, depending on how it is handled, end in crisis."

The implication of this analysis is that relatively early reformers, including Mexico and Argentina – are starting a new economic cycle with the potential for rapid growth. However, Brazil – which began its economic reform programme later – has yet to brave its period of stress.

Mr Hausmann says the rapid recovery from the 1995 crisis arose in part because the reforms had placed the economies in a stronger initial position. "The region is not having to absorh the consequences of a hig stabilisation," he said. "What's driving the recovery is real investment growth and export growth. This time it looks mnch more sustainable."

No large budgetary or current account imbalances have built up, certainly none to compare with the current account deficit equivalent to 8 per cent of GDP tbat Mexico experienced in 1994. Brazil is running substantial deficits on its fiscal and current accounts but its budgetary position should be temporarily aided by privatisation revenues until a more permanent resolution is achieved, while the current account shortfall is less than half that of Mexico in 1994 relative to the size of the economy.

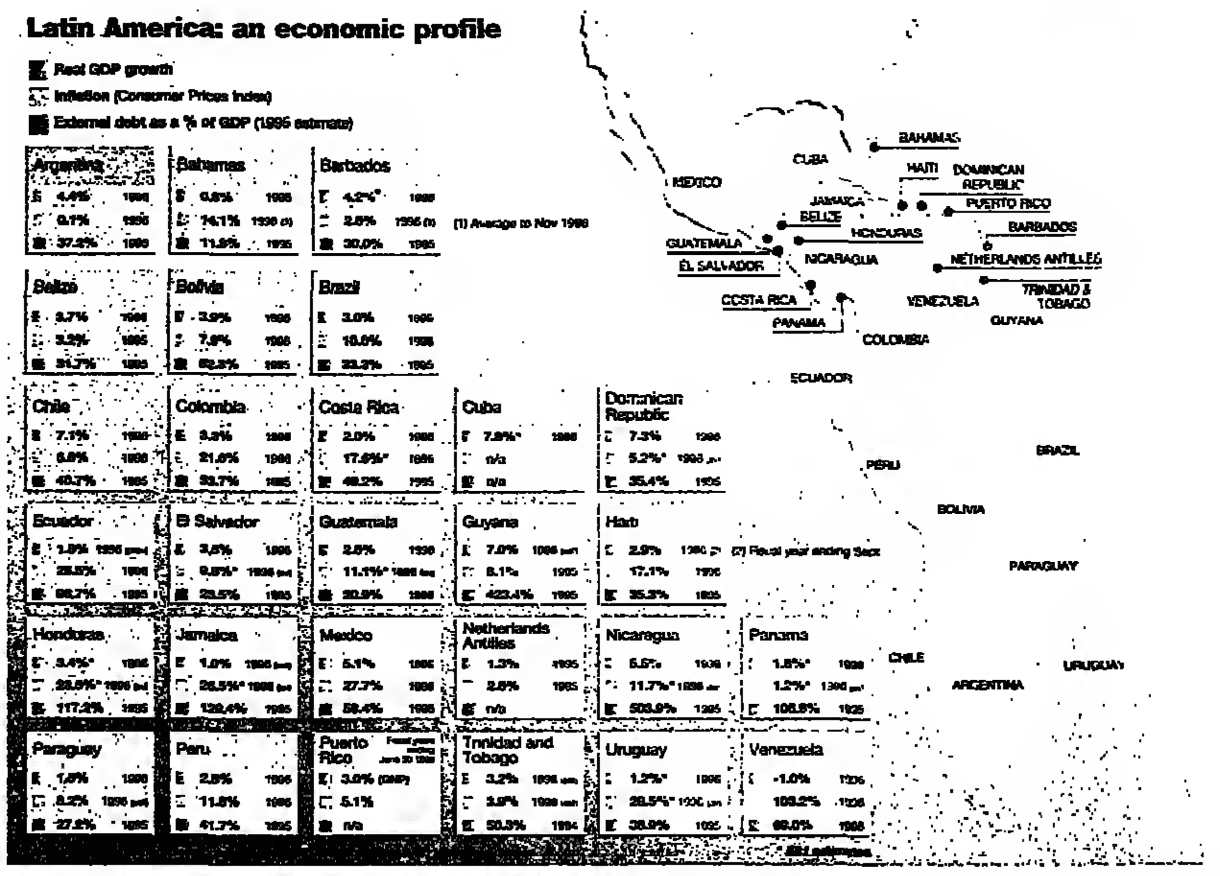
There are latent concerns, nevertheless. One is the strength of the exchange rate in some countries, which, if further reinforced, may atunt export growth and again eventually prove the catalyst for crisis.

However, according to Ernest Brown, Latin American economist at Morgan Stanley in New York: "None of the currencies are high enough to generate a compelling argument for overvaluation." Moreover, Brazil and Mexico have hoth retained the flexibility to adjust rates before a crisis develops.

Another worry is the continuing tendency of govern*ments to run budget deficits* in good times. Although budgetary discipline is stronger than it was at the start of the decade, the practice leaves governments with an inadequate cushion when conditions take a turn for the worse.

Because of this and because access to credit is often cut off in the face of a downturn, governments are often forced to take fiscal actions which reinforce rather than dampen the violence of the economic cycle.

The Mexican crisis also laid bare inadequacies in the structures of the region's economies. Attempts are being made to address some of these issues, such as deficient supervision and regulation of banking systems but other defects – such as corrupt and inefficient government bureaucracies, judiciaries and police forces – will be harder to correct.



Moreover, the region still *depends excessively on foreign* capital because of a lack of internally generated savings.

Although public sector savings can be increased relatively rapidly, the Important objective of increasing private sector saving can only be achieved in the medium- to long-term.

Nevertheless, the establishment all over the region of Chilean-style private pension funds should help over time to reduce dependence on foreign markets, though the immediate consequence of such reforms has been to put greater pressure on the budget, as contributions to the old state-run schemes fall and expenses do not.

Even in the short-term, however, pension funds can begin to sustain domestic financial markets in the absence of foreign buying. According to researchers at Robert Fleming, Argentine pension funds should be col*lecting $220m a* month in contributions this year. If they maintain equity holdings at 18 per cent of total portfolios, possibly a conservative assumptioo, by the end of the year they will hold $1.5bo of Argentine equities, 8.5 per cent of the market's estimated float of $18bn.

For some time to come, however, the disposition of the international financial markets will remain critical to the region's prospects. International liquidity has been abundant since 1995, helping to maintain the speed of Latin America's recovery.

Interest rates have been low in the US, while Japan and Germany – important direct buyers of Latin American bonds in the last 12 montbs as well as substantial indirect sources of capital via the US market – have created relaxed monetary conditions in an *attempt to stir their sluggish* economies.

Few researchers are expecting a dramatic reversal tbis year in this benign picture, although the first move is likely to come with some increase in US interest rates.

Eveo then, there are few expectatioos that the Federal Reserve will raise interest rates by more than 1 percentage point, far less than the 1994 increases that contributed to the Mexican crisis. Nonetheless, the reactioo of Wall Street will be decisive.

If a downturo geoerates large-scale selling of US equities by US mutual funds and otber investors, Latin America would be unlikely to emerge unscatbed. However, many analysts now think that, given a modest rate increase, the US market reaction is likely to be muted.

This could even redound to the *benefit of Latin* American markets, particularly if investors started to concentrate on the prospects for growth in corporate earnings.

One other reason why the market reaction may he undramatic is that individual US institutional investors, having heeded the lessons of the Mexican crisis, do oot appear to be carrying the coocentration of risk that some had in Mexico in 1994.

According to Mr David Hale of Zurich Kemper Asset Management in Chicago, "There is mucb more diversity in investor porlfolios". Mr William Cline, chief economist of the Washington-based Institute of International Floaoce agrees: "There doesn't seem to be a pre-crisis situation developing comparable to what was seen in Mexico in 1994."

Still, as Mr Hale points *out, there remain important* political questions. While Brazilian political risk is considered to have been reduced by the likely passage of a constitutional amendment that will allow President Fernando Heorique Cardoso to stand for re-election next year, Mexico's fast changing political picture retains the capacity for uopleasant surprises.

Moreover, throughout the regioo with the exception of Chile, ecooomic reform has yet to deliver growth significant enough to raise living conditions for whole populations.

This requires, say the Washington-based multilateral institutions, a redoubliog of tbe ofteo unpopular reform efforts, a difficult task for governments giveo the intensifying social clamour for higher living standards.

IN THIS SURVEY

Production editor: Roy Terry

AFTERMATH OF THE BANK CRISIS • by Stephen Fidler

Better supervision is needed

The arrival of foreign banks should help to strengthen a weak system

Mexico's financial crisis in 1994-95 revealed some important weaknesses in the reform programmes undertaken by Latin American governments in the early 1990s, perhaps the most conspicuous of which was the lack of attention paid to regulation of the region's newly liberalised financial systems.

This oversight should not have occurred. Chile's crisis of 1982 had provided close parallels and had underlined the dangers of exchange rate overvaluation and a weak banking system. By 1983, 10 financial institutions accounting for 45 per cent of the capital in the banking system had been closed by the government or put under government control. In a wry reference to the Chicago school of free market economists who were running the Chilean economy at the time, Chileans joked that this was "the Chicago road to socialism".

Mexico's banking crisis increased the severity of its last crisis immeasurably. Many observers now agree that the privatisation of the banks in 1991-92 had been excessively focused on maximising the price obtained by the government. Insufficient attention was also given to the status of some of the new owners – fraud increased the severity of the crisis.

More significantly, the newly privatised banks embarked on a lending spree: new owners had overpaid and had a strong incentive to recover their outlays by excessive lending to the private sector, for which many were woefully ill equipped. It was a classic sequence of financial repression producing a financial boom, followed by what looks in hindsight like an almost inevitable bust.

The US credit rating agency, Standard & Poor's, estimates the crisis could cost the government $30bn, 12 per cent of 1995 gross domestic product. Venezuela's banking crisis of 1994 may have been proportionately even more costly, and bank failures in Brazil, Argentina and elsewhere have indicated weaknesses in other financial systems.

"Fragile banking systems have for long been the Achilles' heel of many Latin American economies, and our analysis of the process of adjustment to the region's recent stabilisation and reform programmes suggests that they continue to provide a weak destabilising link in many economies," argues Michael Gavin, an economist with the Inter-American Development Bank, in a paper to be presented to an IADB conference in Barcelona this month.[1]

Commercial banks' net flows ($bn)

	1993	1994	1995	1996[1]	1997[2]
Latin America	7.6	10.7	15.9	9.2	7.5
Short-term net	12.1	9.0	12.0	4.4	5.4

[1] Estimated; [2] Forecast. Source: Institute of International Finance

"Bank lending booms amplify economic booms, and leave the financial system in a highly vulnerable state when the economy decelerates. The result has all too often been a financial crash that greatly amplifies the downside of the economic cycle."

In addition, a lack of trust in financial institutions may be an important factor inhibiting savings. In east Asia, high public savings and reforms which have created safe financial institutions, especially banks, have been credited with contributing to that region's higher savings rate.

Even if governments have learned their lesson, there remains the question whether they can really prevent future problems. "International evidence suggests that lending booms are dangerous even for the relatively well-supervised financial systems of the industrial economies," argues Mr Gavin.

In Mexico, Venezuela and other countries, efforts have been made – with the help of the international financial institutions – to improve bank supervision and regulation. But the experience that governments in the region have with such regulation is limited, and even where the law is satisfactory, there remains the question of enforcement.

"The supervisory system has been strengthened, though I wouldn't say it's optimal," said Mr José Grasso, a financial analyst with Softline Consultores in Caracas, of the Venezuelan system.

Mr Oscar García Mendoza, president of Banco Venezolano de Crédito warned that "there are still strong ties between bankers and politicians" and that the autonomy of the superintendency of banks was compromised by a temporary control board set up by the government to oversee the banking sector's recovery.

Improving supervision will not happen overnight, however. "Strengthening supervision is a time-consuming process. It often takes years to produce a well-trained and equipped corps of supervisors," IADB economists argued in a report last year.[2]

Furthermore, in an environment where some banks are still relatively weak – as in Mexico – measures to adopt better and more transparent accounting practices are difficult. Mexico had to postpone the full application of US accounting principles it was planning at the start of this year for that reason.

Poor regulation and supervision is not the only source of banking sector problems: recession and sharp exchange rate adjustments can severely affect the banking system. IADB economists have argued that the volatility of the economic environment in which Latin American banks are forced to operate should be reflected in higher capital requirements for Latin American banks than for their counterparts in industrial countries.

However, one important recent development should serve to strengthen the Latin American banking system – the influx of foreign banks convinced that the region's relatively underdeveloped banking systems will grow faster than the economies. Foreign banks now control more than 40 per cent of the Venezuelan banking system and are on their way to accounting for more than a quarter of Mexico's. This greater integration with the financial systems of industrialised countries should allow for the importation of best practice in accounting, risk management and disclosure standards.

[1] *A decade of reform in Latin America: Has it delivered lower volatility? By Michael Gavin, Office of the Chief Economist, InterAmerican Development Bank, Washington;* [2] *Economic and Social Progress in Latin America, 1996 report, IADB, Washington.*

DIRECT INVESTMENT • by Stephen Fidler

A source of weakness turns into a virtue

After domestic savings, FDI is seen as the next most desirable investment

Over the past decade or so in Latin America, the conventional view of the virtues of foreign direct investment has come full circle. From being considered a source of Latin American weakness – the dependency theorists led by Brazilian philosopher-turned-president Fernando Henrique Cardoso saw it as a manifestation of the region's neo-colonial status – it is now seen by governments as critical to development.

Part of this derives from a perception that FDI is a much less volatile source of capital than portfolio and other types of inflows. If investment derived from domestic savings is the most desirable and reliable, FDI is usually regarded as the next most desirable investment. Moreover, governments have changed the rules of the game to encourage FDI because it is seen as a valuable source not only of capital, but also of technology and management expertise.

The benefits of foreign direct investment are so widely accepted now that it is almost inevitable that over the next decade they will come to be examined more closely. As investments mature and significant sums begin to be remitted abroad in the form of profits and dividends, the issue may well become more politically sensitive.

Some academic research already purports to show that the apparent stability of FDI is illusory. And the behaviour of foreign companies in moving money out of Mexico during its devaluation crisis has also brought some critical academic commentary. But most opinion these days shares the view of Mr Sebastian Edwards, professor of international economics at UCLA.

"In the context of a currency crisis, there is no such thing as long-term investment. Locals are supposed to be the most committed investors, but in the days leading up to the Mexican devaluation, it was Mexicans withdrawing money that were the straw that broke the camel's back," he said. "Longer term capital and FDI are less responsive to conditions in the global economy. That doesn't mean that investors won't try to protect themselves under extreme conditions."

The idea of FDI as the least fickle type of foreign capital inflow seems to be borne out by the figures – at least on a regional basis. According to the Institute for International Finance, the Washington-based study group owned by international banks and other financial institutions, FDI to Latin America fell only slightly from $19bn in 1994 to $17bn in the crisis year of 1995. In 1996, this rose to a record $24bn and is forecast by the institute to rise again to $26bn in 1997. The IIF forecasts net portfolio equity inflows to the region will remain constant at about $9bn this year.

According to an IIF report on capital flows published in January,[1] multinational corporations perceive a growing need to broaden their production facilities to compete effectively. "It has become increasingly more efficient to base manufacturing plants close to new markets and where labour costs are lower," it says.

There has been something of a shift, however, in the focus of FDI. Brazil is seeing increased emphasis, surpassing that in Mexico. Direct investment in Mexico appears to be growing again after falling from the peak of $11bn in 1994, and amounted to some $6.5bn last year. But Brazil, particularly with important privatisations such as that of the mining giant CVRD due this year, is likely to take significantly more.

"In terms of FDI, the timing of privatisation plans has a big impact," said Mr William Cline, the IIF's chief economist.

According to the Inter-American Development Bank, Latin America has received about $2bn-3bn a year in foreign direct investment from privatisation during the 1990s, accounting for 20 per cent of total FDI inflows.

In smaller countries, the FDI component of privatisation tends to be higher than in larger countries – partly because the high costs of an initial public offering and the smaller countries' less well developed stock markets make a flotation uneconomic.[2]

States in Brazil have joined the federal government in privatising assets. The Venezuelan government, also a privatisation laggard, has sold important banks taken over during its 1994 banking crisis, and plans to sell the rest it owns. Across central America, privatisation is gathering pace as governments try to balance budgets and encourage foreign investment.

However, the effect of privatisation on capital flows is not necessarily limited to the immediate revenues obtained. According to a 1993 paper by Mr Frank Sader for the World Bank, each dollar in immediate FDI revenue from privatisation generates an additional 88 cents of FDI outside the transactions.[3]

[1] *Capital Flows to Emerging Market Economies, Institute for International Finance, 2000 Pennsylvania Ave, NW Suite 8500, Washington DC 20006-1812;* [2] *Economic and Social Progress in Latin America 1996 report of the Inter American development Bank, 1300 New York Ave, NW, Washington DC 20577;* [3] *Privatising Public Enterprises and Foreign Investment in Developing Countries 1988-92, Foreign Investment Advisory Service Occasional Paper 5, World Bank, Washington DC.*

FOREIGN BANKS • by David White

Old world seeks gold in the new

Local banks face strong competition from Spain's ambitious entrants

Nobody in the 1980s, or even a couple of years ago, would have expected to see a solid and self-respecting European banking group proudly featuring Mexican, Colombian and Peruvian banknotes alongside US dollars and D-marks on the cover of its annual report.

That, however, is the case with Banco Bilbao Vizcaya, one of the Spanish banks that has led the way in the banking acquisition trail in Latin America.

In the past few months, the trend has taken on all the characteristics of a rush. Just in the last six months, the three Spanish groups which have chosen to make Latin America the main focus of their international expansion have invested some $1.7bn in bank shareholdings in the region, in half a dozen separate operations.

The most important turning point came just under two years ago when BBV was faced with a choice between cutting its losses in Mexico and making a fresh commitment. It had already built up a minority stake in Mexico's troubled Probursa group. Under a debt-clearing deal with the Mexican authorities it agreed to plough in a further $350m, making it the first institution to take advantage of new Mexican legislation allowing foreign majority control of a domestic bank.

Its move was an expression of confidence in the Mexican economy just months after the country's financial crisis. Other foreign banks have followed, including Banco Santander which made a $372m investment last October to take over Grupo Financiero Invermexico, giving it control of the country's number four bank, now known as Banco Santander Mexicano.

BBV itself has reinforced its retail banking network with smaller acquisitions. The Bital group, in which Spain's Banco Central Hispano and Portugal's Banco Comercial Portugues both have stakes, has also been busily adding new branches, challenging the more staid competitors by offering longer hours and Saturday opening.

Here and in other parts of the continent, the new arrivals have taken on large chunks of the retail banking sector as well as developing corporate custom and exploiting new growth areas such as pension funds.

Between them, the three Spanish banks have invested more than $4bn in Latin America, mostly in the last two years. About half of this has come from the Banco Santander group, present in the region since the 1950s but now a prominent name in its own right in retail banking markets from Mexico to Chile, where it is now the number two bank and lays claim to the top place among financial groups. "People think of it as a Chilean bank," says Mr Juan Rodriguez Inciarte, Santander's head of global banking.

Both Banco Santander and BBV, the two biggest banks in the Spanish market, now employ more people outside Spain than within it, and most of those are in Latin America. According to BBV, they rank third and fourth in assets in the whole of Spanish-speaking Latin America, after Mexico's Banamex and Bancomer groups. Santander, with book-value investments of some $2bn, reckons it has accumulated a latent gain of at least $1bn.

The Latin American connection

MEXICO: BBV - Probursa, Banco Cremi, Banco de Oriente; Santander - Banco Santander Mexicano

PUERTO RICO: Santander - Banco Santander Puerto Rico

COLOMBIA: BBV - Banco Ganadero; Santander - Banco Comercial Antioqueño; BCH - Banco de Colombia

VENEZUELA: BBV - Banco Provincial; Santander - Banco de Venezuela

PERU: Santander - Banco Santander Perú; BCH - Banco del Sur (merged with Libertador)*; BBV - Banco Continental

PARAGUAY: BCH - Banco de Asuncion*

CHILE: Santander - Banco Santander Chile (merged with Osorno); BCH - Banco de Santiago (merged with Banco O'Higgins)*

ARGENTINA: BBV - Banco Francés, BCH - Banco Tornquist*

BRAZIL: Santander - Banco Geral do Comércio

Source: Banks

* through O'Higgins - Central Hispano joint holding venture

Banco Central Hispano has also built up a substantial Latin American empire, although taking a rather lower profile working through partnerships with powerful family groups – Grupo Luksic in Chile, with which it shares holdings in the southern part of the continent through a joint company, O'Higgins-Central Hispano (OHCH), and more recently the Gilinksi group in Colombia, which it sees performing a similar role in the northern countries of south America.

The fever has not caught on with other Spanish banks. Argentaria, the partly state-owned group, with some long-standing interests in the region, is believed to have studied possible acquisition targets, but stopped short of taking such a decisive plunge. It has, however, regrouped its activities and recently headed one of the two winning consortia chosen to run Bolivia's new pension scheme – alongside another led by BBV.

"Latin America is not a priority," argues Mr Francisco González, Argentaria's chairman. "The pay-off for doing things right here (in Spain) is a lot more profitable than buying something in Latin America."

The other three big Spanish banks clearly disagree on the pay-off – seeing in Latin American markets a compensation for the low growth and declining margins of their increasingly competitive domestic business – but they have also been cautious in focusing on high-return investments.

BBV, which has mostly minority holdings (although it insists on management control), has been looking at prospects in Chile, but has so far held off on price grounds. Santander, which has studied some 25 banks as possible takeover targets in the last five years, says it has sometimes waited a year for the right timing.

Central Hispano has set itself a ceiling of $1.4bn-$1.6bn for its investments outside Spain, and is already close to that figure. The two larger groups, anxious to persuade US and European shareholders that the dangers are limited, also aim to restrict their interests in the region to about 20 per cent of their capital base.

"It is obvious that all investments carry risks," Mr Emilio Ybarra, BBV's chairman, told shareholders at the bank's recent annual meeting. "The important thing is that the possibility of losses should be offset by the business opportunities that present themselves, that is, by the probability of obtaining profit." The bank, he said, would not take on any investments in Latin America without an expected return of at least 20 per cent after tax. This gave it "a fair margin of manoeuvre" for any possible upsets.

"In the worst of cases," he said, "if all our forecasts failed and we had a disaster scenario, the consequences would not be especially serious."

EQUITIES • by Edward Luce

Pampas bull run outstrips tigers

The stock markets are looking cheap compared with other emerging markets

Latin American stock markets are on a roll. With growth this year of almost 20 per cent – compared with an anaemic 2.5 per cent in south-east Asia – the region's bourses look set set to outstrip last year's impressive returns.

According to the ING Barings emerging market index, all Latin America's stock exchanges, barring Venezuela, have posted double-digit growth in dollar terms since January 1, with Brazil at 24 per cent growth leading the pack. In Asia, just one country, Pakistan, has posted growth of more than 10 per cent.

"Latin America is looking much more attractive than Asia, with converging and increasing growth rates, while Asia looks to be temporarily slowing down," said Mr Mark Precious, emerging market specialist at SBC Warburg in London.

In addition to Latin America's improving macroeconomic outlook, which should result in the highest growth rates this year since before the Mexican "tequila crisis" of 1994, global liquidity is benefiting the region as well.

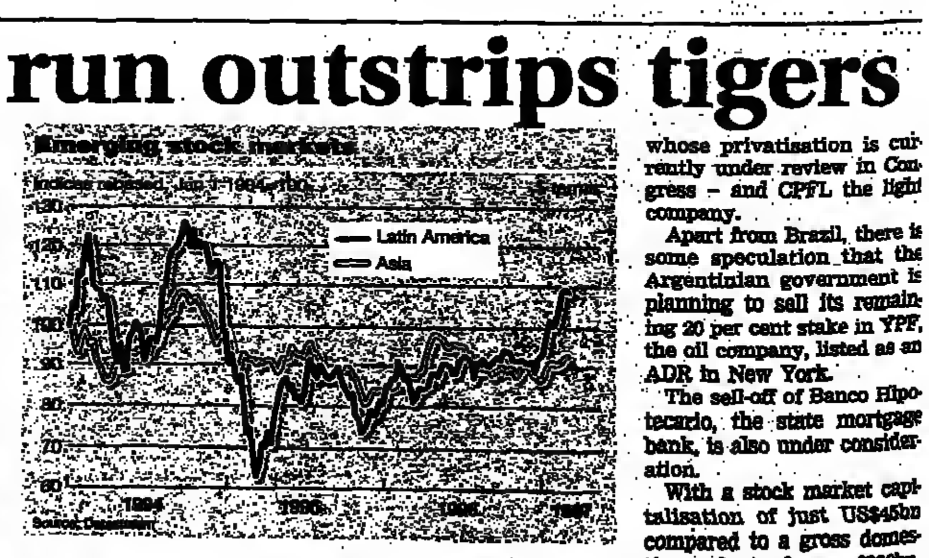
Worries about the possible crunch effects of a rise in US interest rates are being offset by Latin America's high rates of real interest. "Even if the Fed hikes rates by 50 basis points this year, there is wide scope for Latin American rates to come down," said Mr David Roberts, head of Latin American equity at Salomon Brothers in New York.

With price/earnings ratios of between 11 and 15 times, Latin America's stock markets are also cheap by emerging markets standards elsewhere. Brazil, the region's largest with a total capitalisation of over US$200bn, is trading at an overall discount to its net value. "There are some really cheap buying opportunities in Latin America at the moment," said Ms Jane Heap, Latin America analyst at Deutsche Morgan Grenfell in New York.

Emerging market portfolio funds are also cheered by the dramatic performance of Latin American debt over the last 12 months which has seen spreads on the region's Brady bonds – distressed commercial loans collateralised by US Treasuries – fall to historic lows.

In contrast, the region's equity rally is still in the early stages. "Investors in search of higher returns will have to switch from debt to equities in Latin America this year," said a fund manager in New York. "The scope for the continued tightening of spreads has been much diminished by the bull performance in Latin Bradys."

Emerging stock markets



With US mutual funds and Japanese investors increasingly jittery about the dangers of reaching the top of the bull market on Wall Street, Latin America specialists are confident that there is a lot of scope for funds to continue flowing to Latin American for some time.

With a growing queue of privatisations in the pipeline, most are training their focus on Brazil. The $1bn privatisation of Unibanco in the next few weeks and the expected $2bn privatisation of CVRD, a large mining conglomerate, by the end of the year, should attract interest.

Brazilian privatised stocks tend to outperform other listings. For example, Telebras, which was trading at $19.75 on its New York listing in March 1995 has seen its shares rise to more than $100 – well in excess of the gains made by more conventional listings. "Most of the more exciting IPOs will be Brazilian companies," said Ms Heap.

Other companies expected to be sold off and listed on the stock exchange include Telesp, the municipal telephone company, Eletro Paulo and other municipal electricity groups, Petrobras, the state-oil company – whose privatisation is currently under review in Congress – and CPFL the light company.

Apart from Brazil, there is some speculation that the Argentinian government is planning to sell its remaining 20 per cent stake in YPF, the oil company, listed as an ADR in New York.

The sell-off of Banco Hipotecario, the state mortgage bank, is also under consideration.

With a stock market capitalisation of just US$45bn compared to a gross domestic product of over $300bn, Argentina has one of the smallest exchanges in the region, measured as a proportion of GDP.

In Mexico, which has largely completed its privatisation programme, the macroeconomic recovery is not expected to feed through to higher consumer spending until 1998.

The banking sector's return to profitability, however, and the strength of the privatised utilities are expected to attract interest.

Elsewhere, expectations that Venezuela will embark on a state sell-off programme are rising. The Venezuelan government has indicated that GVG, the state aluminium and steel industry, will be among the first to be broken up and probably sold off in parts.

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PENSION FUNDS • by Stephen Fidler

Chile's crusader for the cause

Pension funds have spurred the growth of the region's equity markets

The chief architect of Chile's 1981 pension fund reform is a crusader for the cause. "A spectre is haunting the world," wrote José Piñera in the journal of the Cato Institute, a US free market think tank. "It is the spectre of bankrupt state-run pensions schemes."

Pension fund reform has been the key, he argues, to Chile's economic success of the last decade. "By improving the functioning of both the capital and the labour markets, pension privatisation has been one of the key reforms that has pushed the growth rate of the economy upward from the historical 3 per cent a year to 6.5 per cent on average during the last 12 years."

More important still, pensions have ceased to be an issue for government, depoliticising a huge sector of the economy, he says.[1]

Private pension funds in Latin America

	Stock market cap ($m)	Assets under mgt 1996e ($m)	% assets under mgt in stocks	Assets under mgt by 2000e ($m)	% assets under mgt in stocks by 2000e
Argentina	42,345	5,369	14.8	19,927	20.0
Bolivia	970			1,543	25.0
Brazil	153,931	71,789	33.0	103,114	35.0
Chile	57,423	29,540	28.5	43,347	35.0
Colombia	14,579	772	0.5	4,738	10.0
Mexico	102,735			24,228	20.0
Peru	12,385	1,018	23.0	3,680	35.0
Uruguay	2,500	49	0.0	802	25.0
Total	386,868	108,537	30.5	201,377	30.8

e estimate Sources: Salomon Brothers and Institute of International Finance

The success of Chile's private pension funds – and the bankruptcy of their state-run systems – has prompted many other Latin American governments to follow suit. Yet, though all have been modelled on the Chilean system, there have been important differences in each country that will affect the way they function – in some cases perhaps for better, in others for worse.

According to Salomon Brothers, $108bn was under management in Latin American pension funds last year. Some $72bn of this was managed by Brazilian employee benefit plans – started in 1977 under a regime significantly different from the Chilean system. Some $29bn was in Chile, $5.4bn in Argentina and just over $1bn in Peru.

By 2000, it forecasts that the total will grow to more than $200bn, half of which will be in Brazil, $43bn in Chile, almost $20bn in Argentina and $24bn in Mexico. By 2011, $600bn will be under management – 23 per cent of regional gross domestic product, with some $240bn in Brazil, $108bn in Argentina, $95bn in Chile, $94bn in Mexico, $35bn in Colombia and $20bn in Peru.[2]

For brokers such as Salomon, the importance is in the potential it offers for growth in the equity markets. Already, Argentina's pension system which began in 1994 has provided a boost for the Buenos Aires stock market.

"Argentina's Bolsa is no longer just a slave to foreign funds flow," said researchers at Robert Fleming Argentina in January.

But, however impressive the potential for long-term growth, it is already clear that private pension systems do not provide a short-term panacea for the resolution of Latin America's remaining structural economic problems – including an inadequate savings rate which averages 19 per cent of gross domestic product, compared with 34 per cent in east Asia.

"In my view, there is no effect whatsoever of pension reform on saving in the short run," said Mr Sebastian Edwards, professor of international economics at UCLA. "An increase in private savings is offset by a decline in public savings." This is because the fiscal burden on governments is increased because of the reduced contributions the state receives to fund the pensions of those unable or unwilling to join private schemes.

However, the higher public saving that eventually results from the reform provides an important long-term payback. Mr Edwards notes: "It has contributed to the phenomenal increase in [Chile's] savings rate, from less than 10 per cent in 1986 to almost 29 per cent in 1996."[3]

This has been mostly through an increase in public sector savings from close to 0.1 per cent of GDP to more than 5 per cent by 1993. "Whether the Chilean reform has has actually increased private savings directly is still somewhat of an open question," he adds.

It has undoubtedly helped, though, to create a dynamic and modern capital market – insurance companies, for example, have increased as a percentage of GDP by more than four times between 1985 and 1995 – and has provided important long-term finance for investment.

It has also improved the functioning of the labour market, thereby lowering unemployment, by reducing the total rate of payroll taxes and reducing the labour tax component of the retirement system.

Chile, however, enjoyed circumstances after the establishment of its pensions funds that will be difficult to replicate elsewhere. From, 1985 to 1991, performance was boosted by high real interest rates, while the stock market enjoyed 14 consecutive years of positive returns.

A recent study showed that the return on the stock of two electrical utilities – Enarsis and Endesa – explained almost 40 per cent of the total return of Chilean funds.

"Up to now the rates of return of the new system, as well as the pensions being paid out have been very high. This trend, however, is likely to change in the years to come as Chile's rates of return begin to converge towards world levels," says Mr Edwards.

In fact, this is already beginning to happen. Last year the funds reported a 3.5 per cent profit, against a 2.5 per cent loss in 1995. Because of this, pressure is growing in Chile for the rules restricting investment abroad by pension funds to be relaxed. Even Mr Piñera – asked if there are any imperfections in the Chilean system – says Chilean funds "should be more diversified internationally".

That conclusion is backed by a recent paper from the OECD Development Centre in Paris.

"High volatility of developing-country asset returns, combined with low risk tolerance of pensioners with low lifetime incomes, would suggest that the benefits of global portfolio diversification advanced by the theory of portfolio choice apply particularly to developing country pension assets," it says.[4]

Other rules – in particular that which limits each pension fund operator to only one fund and which sets minimum and maximum profitability levels – have resulted in Chilean pension funds having extremely similar portfolios.

These may not be the Chilean model's only failings. Competition between the funds is usually viewed as beneficial – but some observers believe excessive competition is now becoming a matter for concern, with excessive incentives being offered to fund holders to induce them to switch administrators.

Figures from the superintendency for pension funds showed that almost 1.4m people, nearly half of all paid-up contributors, changed from one fund to another in 1996, over half a million more than in 1995.

High member turnover is estimated by the superintendency to have cost $161m in 1996, or almost 30 per cent of operating costs.

Sales costs as a percentage of total costs have more than doubled between 1988 and 1995.

Nonetheless, total administrative costs have come down over time – after starting at 9 per cent of wages or 90 per cent of contributions they fell by 1994 to 1 per cent of wages and 10 per cent of contributions.

Administrative costs remain significantly lower than under the old pay-as-you-go system.

Some of the drawbacks, Mr Edwards believes, could be addressed by allowing pension fund administrators to operate more than one fund.

This would increase diversity and offer holders the opportunity of switching funds at a lower cost.

Of all the similar pension regimes, Peru's is probably the closest to Chile's. The systems of Argentina and Mexico, however, both leave a significant role for the state.

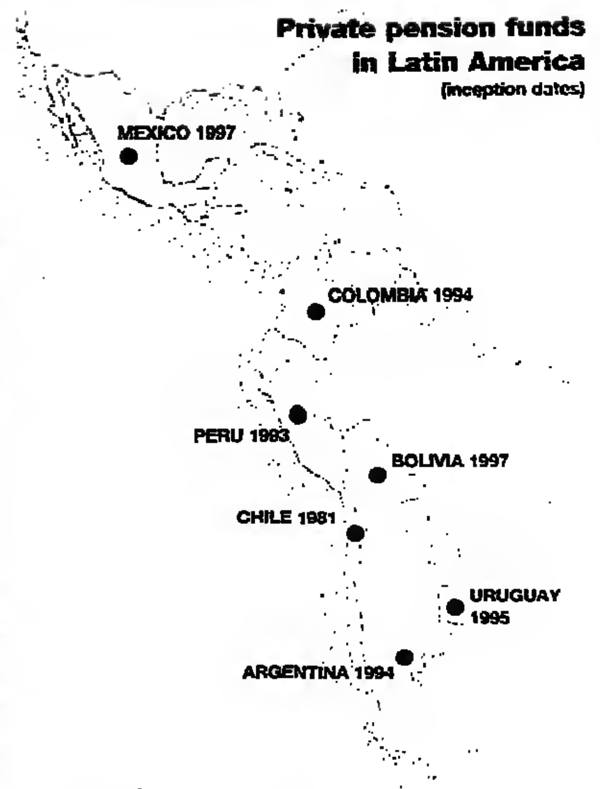
Argentina's two-tier system still leaves the overall contribution to pensions very high, reducing the benefits to employment. Unlike Chile, the contribution to private pension funds is optional.

Contributions to Mexico's pension funds, which start in the middle of this year, are mandatory for all salaried workers.

The rules will allow more flexibility for portfolios and administrators will be able to manage more than one fund.

However, the big drawback seen by many observers is the compulsory contribution to the IMSS, the inefficient and corrupt social security bureaucracy. The IMSS itself is also in the monopoly position of collecting all contributions – critics believe this function should be opened to competition – and will run its own fund administrator.

[1] *Empowering workers. The Privatisation of Social Security in Chile. By José Piñera, Cato Journal vol 15, No 2, Cato Institute, 1000 Massachusetts Ave, NW, Washington DC 20001, USA.*
[2] *Private Pension Funds in Latin America, November 1996, Salomon Brothers New York 212 783 7000;*
[3] *The Chilean Pension Reform. A pioneering program. By Sebastian Edwards. Working paper 5811, National Bureau of Economic Research, 1050 Massachusetts Ave, Cambridge MA 02138, USA;*
[4] *Liberalising Foreign Investments by Pension Funds: Positive and Normative Aspects. By Helmut Reisen, OECD Development Centre, 2 rue André-Pascal, 75775 Paris Cedex, France*



Source Salomon Brothers

Hard work remains to be done

Continued from page 3

deficit throughout the economic cycle.

Despite the improvement in fiscal management, when the going is good Latin American governments still too often use access to credit to run fiscal deficits and to make too many spending commitments which are hard to reverse.

"During the surge, precautionary fiscal surpluses should be run to strengthen the fiscal position and to provide the flexibility needed to permit a counter-cyclical fiscal response to the eventual downturn," they have argued.[3]

Partly because during an economic shock, governments also lose access to external finance because of creditworthiness worries, they are forced into surplus during recession, a response that accentuates rather than mitigates the violence of the economic cycle. A restrictive fiscal position offsets a boom in domestic spending and reduces the resultant current account deficits and exchange rate appreciation.

Another view comes from a report last year from the World Bank.[4] It identifies five factors inhibiting growth: high real interest rates, high and rising unemployment rates, low domestic savings, sluggish export growth and weakened state institutions.

Some of these concerns may have eased since the report was written last year, but they still point to the shortcomings that remain.

For high real interest rates it blames inefficient banking systems and barriers to entry which increase the spread between lending and borrowing rates; a tendency to rely on tight monetary policy to compensate for too lax a fiscal stance; and continued high country risk assessment for the regions, based on investor unease about the sustainability of reform and the region's outdated legal structures.

To combat high unemployment, changes are necessary to eliminate distortions in the labour market that prejudice employment and to improve education systems to enhance skills.

Low domestic savings should be countered by fiscal prudence that results in high public savings; the development of a sound and modern banking sector; and the creation of retirement systems based on private pension funds to boost private sector saving.

Greater export growth should be achieved by avoiding real exchange rate overvaluation, increasing infrastructure investment and attracting larger amounts of foreign direct investment.

Finally, public sector reforms need to increase efficiency and accountability, while East Asia's experience suggests a professional, efficient and well-paid bureaucracy – almost nowhere to be found in Latin America – plays an important role in that region's economic success. The judicial systems also need reform to ensure tha credible protection of property rights.

[1] *Reform and Growth in Latin America: All Pain, No Gain? By Eduardo Fernández-Arias, Office of the chief economist IADB, and Peter Montiel, Williams College;* [2] *A decade of reform in Latin America: Has it delivered lower volatility? By Michael Gavin, Office of the Chief Economist, IADB;* [3] *Economic and Social Progress in Latin America 1996 report, IADB;* [4] *Dismantling the Populist State: The unfinished revolution in Latin America and the Caribbean. By Shahid Javed Burki and Sebastian Edwards, World Bank Latin American and Caribbean Studies.*

INFRASTRUCTURE • by Samer Iskandar

Steady evolution

Project finance is taking off in all sectors as privatisation accelerates

Latin American project finance is expected to grow rapidly this year, despite its stagnation in 1996.

Bank lending fell to $2.9bn in 1996, from $3.1bo the previous year, but analysts are optimistic for 1997 and point to some promising trends. For example, more than half of the 10 largest limited recourse financings were for Latin American projects last year, up from three in 1995, according to IFR Project Finance International.

"Project finance is taking off in Latin America in all sectors – power, oil and gas, water, mining and telecommunications – as governments push forward toward privatisation of traditionally state-run utilities," says Ms Karol Nielsen, Americas correspondent for the specialised publication.

The financing landscape, bowever, was dominated by steady evolution rather than outright revolntion, although a few noteworthy innovations emerged.

The accelerating pace of privatisations was largely responsible for the continuing shift from public to private financing of projects. It also fostered innovation in some landmark deals. For example Endesa, the Chilean electricity generator, issued the first bonds with a maturity of 100 years – part of the proceeds was used to finance the acquisition of a Colombian power company.

"Privatisation is the driving force behind the move to private finance," says Mr Antonio Vives, infrastructure and financial markets division chief at the Inter-American Development Bank.

Innovations, Ms Nielsen points out, include "a growing number of deals done without political risk insurance or government guarantees." She illustrates this with the example of Aguaytia, the Peruvian energy project, "the first merchant plant to secure long-term financing before construction".

"Disintermediation" – tapping the capital markets instead of relying on bank loans – is also on track. According to the IADB, Latin American projects led to the launch of 13 securities issues in the international capital markets in 1996.

"This shows the maturing nature of private financing of infrastructure in the region," Mr Vives says. However, "bank loans continue to be the overwhelming source of finance, usually with some sort of guarantee by the government or by bilateral and multilateral lending institutions".

But the degree of innovation continnes to vary widely from sector to sector and from country to country, with credit ratings pointed out as a significant factor.

Only Chile and Colombia enjoy investment grade ratings from the large US credit rating agencies, wbich increases their attractiveness to lenders.

Chile also benefits from its developed domestic capital markets – a result of its pension reforms of 1981. Last year, Metro Gas was the first company in the region to tap local pension funds for financing. Mr Vives points out that although the amount was small, tha move was nonetheless significant and could inspire others.

The existence of a well defined programme of projects to finance is also a favourable factor in attracting lenders. Here again, Chile leads the way. Its projects for road works, for example, are defined several months in advance, according to Bank of America.

"Banks have been attracted to Chile because of the existence of a programme," says Mr Tim Treharne, managing director, project finance, at the bank's London operation.

He also highlights the importance of a clear regulatory framework and market transparency.

"There is a lot of money in the world chasing projects," he says. "Ideally, it would go to countries with a clear regulatory framework, clear tendering process and, if possible, a clear timetable for projects."

In a favourable environment, bankers believe existing trends – such as lengthening loan maturities and shrinking margins on interest rates charged by lenders – should persist. Loans of up to 10 or 12 years are more common now, Ms Nielsen says. This is up from typical maturities of five to seven years previously.

DEBT MARKETS • by Conner Middelmann

A rude awakening

Prospects for many Latin bond markets remain good despite the nervousness

After a year of nearly uninterrupted price gains, Latin American debt markets came in for a rude awakening at the beginning of the month as investors, worried by fears of US monetary tightening, took some hefty profits.

However, although the sell-off was sharp, many observers say it does not spell the beginning of the end to the bull market – although it may well berald a period of nervousness and choppy trading. This is an environment where discerning investors will come into their own, and underlying credit fundamentals will regain a new importance.

"A rising tide raises all boats, even the less seaworthy ones," says Ms Hélène Williamson, director of fixed income at fund managers Foreign & Colonial Emerging markets, which invests more than $300m of its funds in Latin American debt markets.

During the past six months, she says, debt prices rose strongly across the board and investors showed little discrimination regarding credit quality. "Now, people will again look more closely at underlying credit fundamentals."

The recent sell-off was triggered by a hawkish Humphrey-Hawkins testimony to US Congress by Federal Reserve chairman Mr Alan Greenspan in late February, in which he warned of possible pre-emptive policy tightening.

Dealers say those markets which were furthest ahead of themselves during the 1996 rally – and which have suffered most severely in the recent sell-off – are Ecuador and Venezuela, both of which are experiencing problems on the political and economic front. The markets with sounder fundamentals – Mexico, Argentina and Brazil – were less affected by the sell-off.

Although Mexico may be affected by general elections in mid-year, its economy bas recovered remarkably from the 1995 peso crisis and fundamentals look promising.

Argentina, boasts a growing economy, rising tax revenues and a strong government commitment to orthodox economic policies. On the international markets, Argentina is also well positioned, having funded about $5bn of its $8.5bn projected borrowing requirement in the last three months.

Meanwhile, Brazil is becoming more serious about its privatisation programme, and market observers are speculating that its B1/B+ credit ratings may be upgraded this year.

So even though nervousness over US interest rates is set to continne, many observers say prospects for many Latin hond markets remain good.

"The two main factors that were driving the rally last year are still there: improving economic fundamentals, and a lot of liquidity chasing higher yields," says Mr Peter West, economic adviser to West Merchant Bank.

Investors' and banks' search for yield at a time of low OECD interest rates triggered an exodus of cash into emerging markets last year. Global capital flows to emerging markets reached a record $230bn in 1996, according to the Institute of International Finance, a Washington-based think tank.

Even when US interest rates do rise – as widely expected – most observers say they do not expect that to trigger a re-run of the emerging market collapse of 1994, when the bull run of 1993 screeched to a halt after the Fed'a surprise decision to raise interest rates.

"I don't expect a repeat of 1994," said Mr West. "Even if US rates rise, they won't do so to the same extent as in 1994, when the Fed Funds rate was raised six times from 3 to 6 per cent." He warns that the eventual tightening may initially spark a negative reaction, with dealers fearing more than a pre-emptive tweaking of interest rates.

In this environment, says Ms Williamson, investors are best off holding defensive positions in the "big three" markets – Mexico, Argentina and Brazil. "Longer-duration bonds have been worst hit - we've been bolding mainly floating rate notes, which served us well in the recent sell-off."

BRAZIL • by Jonathan Wheatley

Reforms set to go ahead

Structural changes are needed to consolidate the success of the Real Plan

President Fernando Henrique Cardoso could hardly bave wished for a better start to 1997. A special session of Congress, sitting during the traditional holiday between Christmas and carnival, voted to change the constitution to allow him to run for a second consecutive term in office.

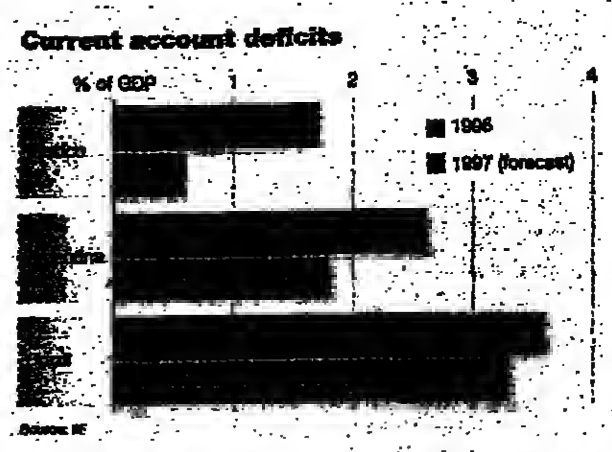
The measure faced another vote in the lower house – which it won easily last month – and two more in tbe Senate. Victory seemed assured and the president's political capital soared over night.

Now at last, analysts said, be could force through Congress the politically unpopular structural reforms needed to consolidate the success of the Real Plan, which cut inflation from 5,000 per cent in 1994 to 10 per cent last year.

The eupboria was not to last. Even as the government was flexing its political muscles in Congress, the finance ministry announced a record trada deficit for 1996 of $5.54bn, fuelling concerns over Brazil's current account deficit of about 3 per cent of gross domestic product (GDP). Coupled with an increasingly worrying budget deficit, running at about 4.5 per cent of GDP, the figure has led economists to take a more sober view of the prospects for Brazil's economy during 1997.

The trade deficit is set to worsen this year. Early signs are that imports were up 30 per cent on 1996 in the first two months, while exports remained stable. Economists say the deficit in 1997 could be as much as $10bn.

"The trade balance is a big worry," says Mr Mauro Schneider, an economist at ING Barings in Sao Paulo. "It's true that most imports are capital goods and raw materials, but this does not imply that the situation will be solved by future growth in exports. The potential for growth in demand among Brazilian consumers is so big that any increase in manufacturing output will easily be absorhed by the domestic market."



The finance ministry says the worsening trade deficit does not threaten Brazil's ability to finance its current account deficit. It points to foreign reserves of $60bn and strong capital inflows.

The quality of foreign investment is certainly improving. Direct investment more than doubled last year to about $9bn and should continne rising this year.

"There is no worry about financing the current account deficit," says Mr Schneider. "The problem is that, as with internal debt, external debt is increasing. Interest payments, the trade deficit and other service elements are all adding up and could become a threat to the Real Plan. We need reforms now to avoid serious problems in the future."

Long-term improvement in the trade balance will depend on efforts to increase industrial efficiency through investment in infrastructure and by cutting red tape.

Privatisation will belp. Sales by the federal and state governments are expected to net $11bn this year. The communications ministry is preparing to transfer telecommunications to the private sector. On April 7 it will take bids for concessions to run cellular services. It hopes to sell the entire public network by the end of 1998, though this is seen as optimistic.

Significant sales [illegible] ted in electricity [illegible] and distribution, [illegible] by state governments [illegible] to open the petroleum [illegible] try to greater [illegible] involvement is [illegible] through Congress.

The biggest strain [illegible] private sector is [illegible] high interest rates. [illegible] rates averaged 17 [illegible] last year. They are [illegible] to fall to about 13 per cent in 1997, but tha burden on industry remains heavy.

The government [illegible] keep interest rates [illegible] partly to contain consumption and partly to attract foreign capital. It will only [illegible] able to lower rates to [illegible] national levels once it [illegible] brought public [illegible] under control.

That depends on Mr [illegible]doso's ability to push [illegible] structural reforms [illegible] Congress. The reforms [illegible] contained in three [illegible]tional amendments, [illegible] requiring a [illegible] majority in both [illegible] They aim to end [illegible] employees' guaranteed [illegible] for life and cut [illegible] employment, overhaul [illegible] pensions system and [illegible] line private and [illegible] tax.

MEXICO • by Leslie Crawford

Recovery exceeds expectations

Outstanding debts with the US were settled on the second anniversary of the crisis

The Mexican economy began 1997 on a strong note.

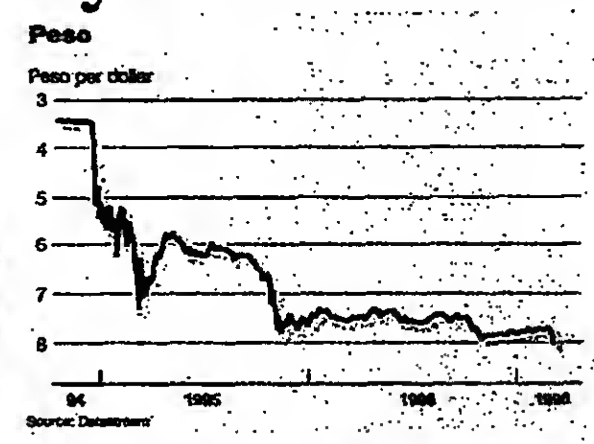
The economic recovery is gathering pace, foreign investment is buoying the stock market and driving the expansion of the manufacturing base, interest rates are falling and the currency is appreciating against the dollar.

In January, the government marked the second anniversary of the financial crisis by settling its outstanding debts with the US. Mexico has now repaid in full the $12.5bn emergency US loan which rescued the government's tottering finances in 1995. It has also begun early repayments to the International Monetary Fund, which contributed to the Mexican salvage operation with $17.8bn. The rapid, although still uneven, turnaround in the economy has surpassed expectations.

Gross domestic product grew by 5.1 per cent in 1996, following the deep recession of 1995, when the economy contracted by 6.2 per cent.

The recovery is being led by export-related manufacturing activities, which grew by more than 10 per cent last year. Even the construction industry is on the rebound following the devastating collapse of pnblic and private investment after the peso devaluation in December 1994.

The near-collapse of the domestic banking sector has been the costliest legacy of the financial crisis. To keep the banks afloat, the government bas absorbed more than $40bn of bad loans, or 20 per cent of the assets of the banking system, underwritten the emergency capital replenishments of many Mexican banks and subsidised interest repayments on mortgages and other loans. The government estimates the cost of the bail-out, which will be spread over at least two decades, to be in the region of 8.5 per cent of gross domestic product. Independent analysts believe the cost will be closer to 12 per cent of GDP.



The banking system will require further consolidation in 1997 if it is to resume its role as an efficient purveyor of credit. Foreign banks, which have taken control of about one-fifth of the banking system since the start of the crisis, are spearheading the shake-up in the industry.

The momentum of the recovery is expected to gather pace this year, even as the Bank of Mexico continues to juggle with two goals which are not always easy to reconcile: the central bank aims to curb inflation from a rate of 27.7 per cent in 1996 to 15 per cent by the end of 1997, and it must do so without allowing the peso to appreciate too rapldly against the dollar.

Throughout 1996, the freely-floating peso maintained its nominal parity against the dollar, despite the wide inflation differential between Mexico and the US. As a result, exporters have begun to complain that the peso's strength is hurting their profit margins.

Most analysts believe the exchange rate required a correction following its rapid slide in 1995. Mr Paulo Leme, a senior economist at Goldman Sachs in New York, estimates the peso is still undervalued by 10 per cent against the dollar.

Liquidity in the world capital markets has not only allowed Mexico to refinance its external debt on increasingly favourable terms, it also brought an estimated $7.5bn to $8bn of direct foreign investment to Mexico in 1996, according to Mr Leme's estimates, and allowed the Bank of Mexico to accumnlate more than $8bn in international reserves.

According to GEA, the economic consultants in Mexico City, the strengthening economy is expected to create an estimated 800,000 new jobs in 1997 – fewer than the [illegible] jobs Mexico needs to accommodate new entrants to the labour market every year.

Neither job creation nor the economy's improving outlook, however, is expected to bring about a significant recovery in real incomes, which have lost one-fifth of their purchasing power since the devaluation.

The squeeze on incomes explains why Mexico's recovery has been so uneven to date. It has accentuated the divide between Mexico's modarn, export-oriented economy, which now accounts for almost 30 per cent of national output, and the deeply depressed local economy, which plummetted by 15 per cent during the 1995 recession and only recovered an estimated 1 per cent of lost output in 1996.

Exports have doubled in less than five years to $95.9bn pesos in 1996. Most of this growth has taken place since the peso devaluation, as mannfacturers sought foreign buyers for goods they could no longer sell at home.

ARGENTINA • by David Pilling

Rebound – or start of new era?

Controlled growth is fostering a recovery which will prove fruitful for markets

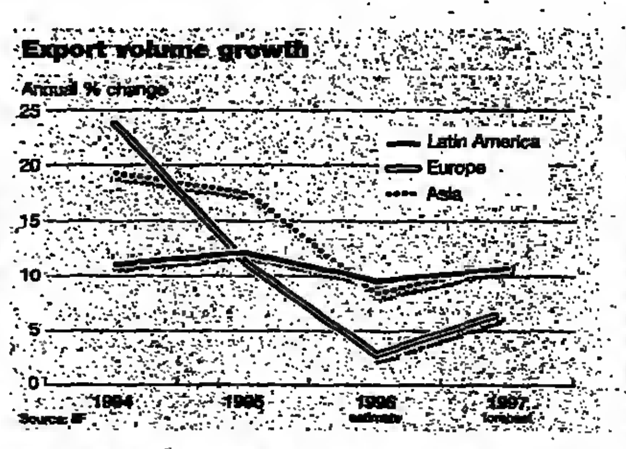
If 1995 was the year in which Argentina survived Mexico's confidence-sapping devaluation, 1996 wss the year it overcame an equally stiff test – the sacking of Mr Domingo Cavallo, the economy minister.

Rumours of the departure of Mr Cavallo, considered by many to be the architect of an economic transformation launched in 1991, had been enough to send markets tumbling. When the much-feared event finally came last July, investors appeared relieved that the political air had been cleared and that economic reform had proved sufficiently well embedded to withstand the shuffling of personalities.

Instead of dipping, the Merval index of blue-chip stock edged upwards following Mr Cavallo'e sacking. In spite of the subsequent turbulence, that investors have coma to expect of Argentina's relatively immature market, the Merval ended the year 25 per cent higher, spurred on by long-awaited signs of economic recovery.

The choice of Mr Cavallo's successor helped. Mr Roque Fernández, an orthodox Chicago-school monetarist and formerly central bank president, immedlately introduced a $4bn fiscal austerity package designed to plug the growing budget deficit. The move relied largely on diesel and petrol tax rises. It reassured those investors who had become concerned about Argentina's ability to fund a deficit beading towards $6bn, about 2 per cent of gross domestic product.

Because of an inflationary past, relatively small deficits tend to be punished severely by the markets. The importance of maintaining fiscal discipline is also enshrined in the five-year-old convertibility system, which removes monetary discretion from the authorities. This means budget deficits cannot be covered by printing money, but must be plugged by borrowing.



The tough package was applauded by orthodox economists. But some analysts, notably on the equity side, feared that Mr Fernández's austerity package would hit consumer confidence.

They need not have worried. Growth, spurred mainly by tha return of bank deposits and the consequent rise in credit, took off in mid-year. It notched up an impressive 9.2 per cent increase in the fourth quarter against the same period in the previous year. For 1996 as a whole, GDP rose 4.4 per cent while inflation was kept at virtually zero for the second year in succession.

According to estimates by Robert Fleming, the merchant bank, GDP will grow by a respectable 5.6 per cent in 1997. This assumes a 3.7 per cent increase in real coosumption – still stifled by near-record-high unemployment of 17 per cent. The main impetus is coming from a 14.4 per cent rise in gross fixed capital formation and an increase in exports of 8.5 per cent.

"What we are seeing is mostly a rebound from a bad year, not the start of a dynamic new era," says Mr Joe MacHatton of Dresdner Kleinwort Benson. Despite such caution, Mr MacHatton is considering upgrading his growth forecast for 1997 from 5.3 per cent to 6 per cent. Such growth may not be reflected in the earnings of companies listed on the Merval index, he says.

Mr Miguel Angel Broda, a local economist, believes that, having survived Mexico's devaluation, a bitter recession and Mr Cavallo's departure, Argentina is now firmly set on a sustainable growth path. Even without further advances in the reform process – auch as labour deregulation – Argentina should be able to grow at an annual 5 per cent for several years, he says.

On the political front, the Peronist administration – reeling from largely self-inflicted allegations of corruption – may do badly in this year's mid-term congressional elections. That could leave Mr Carlos Menem as a lame-dnck president, overseeing a fractious party more concerned with the 1999 presidential poll than with governing.

There is also the question of Argentina's public debt, which has risen significantly over the past two years. A debt of $90bn in relation to GDP of $300bn is not high by international standards, but virtually all of it is funded by foreign borrowing.

As long as international liquidity remains at current levels, Argentina should find it fairly easy to raise the $16.6bn Mr Broda estimates it will need in 1997 – much has already been raised. But a reversal of interest rates could leave the treasury gasping for funds. It will be some years before pension reforms create enough private savings to wean Argentina off its international drip-feed.

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weakness tur
into a virtue

tstrips tiger

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PERU • by Sally Bowen

Economic miracle loses its bloom

Peru's 1996 slowdown was more marked than anyone had expected

Suddenly the bloom seems to have gone off the Peruvian economic miracle. Investment bankers and international stockbrokers, so keen to sell Peru as one of the region's most exciting emerging markets just a couple of years back, have turned lukewarm.

"There might have been a little bit of overenthusiasm by everybody at some point," is the candid admission of Ms Susana de la Puente, a director of J P Morgan who has been intimately involved in selling the new Peru to the international community. "But that's typical for a country that has come back after 20 years of disaster."

Peru's 1996 economic slowdown after three years of the highest growth rates in Latin America was more marked than anyone had anticipated, although the final figures – showing GDP up 2.8 per cent and inflation at 11.8 per cent – were better than had been feared. Following last year's IMF-promoted measures to pre-empt overheating and balance of paymants difficulties, the Fujimori administration is now predicting less spectacular bnt better sustained growth of between 4 and 5 per cent s year from 1997 to 2000.

Business people accuse the government of having slowed the economy down barely before it had recovered from the dramatic 25 per cent slump in GDP which took place in the last years of the Alan Garcia government.

"Peru cannot remain paralysed, we cannot have a continuation of last year's recession," says Mr Jorge Picasso, a leading banker and head of Peru's private business people's organisation Confiep. "We have to confront the problem of widescale unemployment, and that means economic reactivation."

Growth prospects hinge on Peru's traditionally important sectors: mining (kick-started by big privatisation-associated investments) and fishing, with support from construction and manufacturing, which in turn is highly dependent on semi-processing raw materials. But, in the modern world, these are capital- rather than labour-intensive industries.

Increasing exports – to reduce the current deficits on trade and current account – is a priority.

Peru: economic indicators

	1992	1993	1994	1995	1996
GDP growth (%)	-2.5	6.5	12.9	6.9	2.8
Annual inflation (%)	50.7	40.0	15.4	10.2	11.8

Source: official statistics

Although 9 per cent lower in 1996 than the previous year, at just under $2bn Peru's trade gap remains uncomfortably high. Last year's imports totalled $7.8bn, up 2 per cent on that of 1995, while exports earned $5.9bn, up 6 per cent on the previous year.

The governmant points out that inputs and capital goods necessary to modernise industry account for a large percentage of the import bill and is confidently predicting that Peruvian exports will be $10bn mark by 2000.

Manufacturers and exporters, however, are sceptical. They complain that they still suffer from a series of "anti-technical" taxes and inefficiencies – imports, customs and basic infrastructure – which push up costs. Their chief bugbears are the minimum tax on a company's assets, rather than profits, introduced early in the first Fujimori government as an emergency revenue-raising measure but since institutionalised, and the "Fonavi," a payroll tax of 9 per cent which goes to finance President Fujimori's nationwide projects for improving basic infrastructure at community level.

In what seems like a long-delayed but genuine attempt to boost exports earnings, the government last month launched a new institution called Prompex, headed by Mr Ricardo Marquez, Peruvian vice-president and himself a successful exporter. Prompex should provide a lobby for improved legislation and a channel for opening up new markets in promising areas such as textiles. Mr Marquez has pledged himself to a continuing reduction of costs which should, he says, translate into more job openings.

Nevertheless, much of the initial dynamism of the early Fujimori years, at the start of the 1990s, seems to have evaporated. The once-aggressive privatisation programme, which netted more than $5bn between 1992 and 1995 – plus another $4bn in investment pledges – has slowed down. True, last year saw important "second-phase" sell-offs of retained state holdings in telecommunications and the energy sector, but the earlier sense of conviction has gone.

Statements late last year by President Fujimori suggest that some important large state companies may not now be privatised. These are likely to inclnde the Mantaro hydro-electric complex, Lima's water and sewerage authority and the Petroperu oil refinery at Talara.

In recent months the government has also taken a number of interventionist economic measures which smack uncomfortably of populism. The creation of special industrial transformation zones in the extreme north and south give sweeping tax concessions (once anathema to the Fujimori economic team), intended to stimulate industrial developmant and divert imports, particularly of used cars, away from Chilean ports to Peru. Chile has protested to international trade bodies.

On the local level, Mr Fujimori has relaunched an earlier programme to provide a somewhat artificial boost to microenterprise. The government, he says, will buy large quantities of school equipment, shoes and uniforms for distribution to the poor. That, he estimates, will create 70,000 new jobs and support 7,000 small companies.

Meanwhile, the sweeping "second stage structural reforms" including downsizing of the still-overweight state bureaucracy which Mr Fujimori promised when he was overwhelmingly re-elected in April 1995, remain on hold.

COLOMBIA • by Sarita Kendall

Sanctions threat to growth

Overseas political pressure thwarts healthy economic prospects for year ahead

Colombia tends to produce steady, though not spectacular, economic growth. Both the government and the private sector expect the economy to pick up during the second half of 1997, producing a growth rate of around 4 per cent.

The sudden jump in world coffee prices is giving a welcome boost to family income and demand in the coffee zones, while increased oil output will bring extra foreign earnings. Following the decertification of Colombia's anti-drug efforts by the US, however, the threat of economic sanctions is now real and could affect the country's prospects.

Although the overall political situation has calmed, with President Ernesto Samper still firmly in his seat, campaigning for the 1998 general elections starts in the second half of the year. The defeat of the government's pay policy, as a result of last month's strike by public sector employees, could affect other labour demands and fuel inflation. The government was forced to concede an average salary increase of 17 per cent, compared with the original 13.5 per cent offer and an inflation target of 18 per cent for 1997.

Both the approaching elections and the labour situation put pressure on public spending. Finance minister José Antonio Ocampo recently announced substantial budget cuts in order to reduce the central government deficit from 4 per cent of gross domestic product (GDP) to about 3 per cent.

While a few orthodox voices said this was not enough, most interpreted it as a welcome signal that the government is taking the deficit problem seriously.

The "economic emergency" which was announced in January and lasted three weeks met surprise and hostility from the private sector. It was widely criticised as unnecessary and it created uncertainty at a moment when optimism was surfacing in business circles.

The government justified the emergency on the grounds that fiscal income had fallen short of the 1996 target. Incoming dollars unexpectedly took international reserves to nearly US$10bn at the beginning of 1997.

The discussion aa to whether or not the emergency was constitutional is still dragging on and the emergency decrees could be toppled by the constitutional court.

Measures included a 6 per cent tax on foreign credit, the extension of sales tax to some services such as cable television and cuts in special tax benefits granted to an area in the south-west affected by the 1994 earthquake. Mr Ocampo said it was essential to avoid another wave of foreign borrowing and revaluation.

Monetary policy has been tight during the Samper government, but recent changes in the composition of the central bank's board of directors will probably bring the bank closer to the government's more flexible monetary position. Real interest rates have fallen by more than five points over the past year and are expected to drop further.

"Prices have gone up by 25.8 per cent in the first two months of the year... this year looks better than either 1996 or 1995. I'm a little bit optimistic," said Mr Carlos Caballero, president of the Bogota stock exchange. "People are keeping a close watch on ths economy, they're not ready to invest heavily in new projects because there's some uncertainty. But Colombia has kept its investment rating, the spreads on the last bond issue were good and oil and financial investment are going ahead."

Another 29 foreign funds were authorised to operate in Colombia during 1996, taking the total to 180, with a portfolio of over US$1bn. Last year brought a slowdown in GDP growth – the industrialists' association, ANDI, reported a drop of 0.7 per cent in industrial production - and this was reflected in the performance of most sectors listed on the stock exchange.

A month ago the government sold off 47 per cent of the Cerro Matoso nickel complex to Gencor for about US$180m and the state oil company, Ecopetrol, will shortly sell three gas sector enterprises though the stock exchange.

Concasa, a savings and loans corporation, will also be coming up for privatisation in the next quarter and this could provide the opportunity for further Spanish investment in Colombia's financial sector. A veritable revolution is going on, according to Mr Cesar González, head of the banker's association, Asobancaria.

"It's a revolution in size and structure, we shall have fewer, bigger financial entities. Competition will be very fierce," said Mr González. "The sector is attractive to foreign investors because the banks are well managed, the system is well-regulated and supervised and it's still profitable."

Despite the financial flurries, it is oil that takes centre stage in any discussion about Colombia's economic outlook. Oil production will rise to 720,000bpd before the end of 1997 and by the end of the decade oil will account for nearly a third of export income.

BOLIVIA • by Sally Bowen

Idiosyncratic privatisation pays off

Foreign 'strategic partners' now manage five former state-owned companies

Last year was something of a landmark for the Bolivian economy: for the first time in decades, the level of private investment at 54 per cent of the total exceeded that of the public sector.

"A good part of that is due to capitalisation," says President Gonzalo Sanchez de Lozada, in reference to his edministretion's idiosyncratic form of privatisation, which has attracted some $1.7bn in under two years in investment commitments from foreign "strategic partners" now managing five former state-owned companies.

"Though GDP growth [3.9 per cent in 1996 compared with a target of 5 per cent] is still not what we had hoped for, capitalisation is the locomotive that will pull the economy into the 6 per cent growth band where we think it should be. And that should be sustainable."

Capitalisation has been the chief economic pillar of the Sanchez de Lozada government's 1993-97 "revolution in democracy", as the president likes to call it. So far, the state has divested itself of five monopolistic companies – the state electricity and telecommunications concerns, the railroads and flag-carrier airline, as well as the state oil and gas company YPFB. There is one to go, the tin and antimony smelter complex of Vinto plus two associated mines.

The "capitalisation" solution, a Sanchez de Lozada invention, differs from standard privatisation in that "the state doesn't sell a thing, and it doesn't pocket the revenne", explains the president. Instead, pre-selected companies bid at public auction for a 50 per cent stake and full management control. The amount offered goes into the company as a fresh capital contribution, with the new investor-operator bringing in badly-needed technology and know-how.

So far, the results look promising. Electricity and telecommunications, the first two sectors to see their state companies capitalised (three US-based independents came into Bolivia's power market and Stet of Italy acquired control of the former telecommunications monopoly), registered strong growth in 1996: 10.4 and 8.7 per cent respectively. The new strategic partners are fulfilling investment pledges faster than expected, and fresh generating capacity, fibre optic cables and cellular telephones are finally reaching the people.

The rapid transfer of what had largely been deadweight state companies to private sector management has allowed e significant shift in allocation of resources. Bolivia's 1996 budget was already 6.4 per cent lower than that of 1995, yet social spending (basic health care, education and sanitation) received three times more than the amount spent on state industries. As recently as 1994, state companies had swallowed up more than all social expenditure put together.

Bolivia: economic indicators

	1992	1993	1994	1995	1996
GDP growth (%)	1.7	4.0	4.2	3.5	3.9
Annual inflation (%)	10.5	9.3	8.5	12.6	7.9
Net international reserves (US$m)	-	370.9	509.3	650.2	950.8

Source: National Institute of Statistics, Central Bank

Decentralisation has also had significant budget implications. "Popular participation", devolving decision-making power and budget control to local municipalities, has changed the face of much of the Bolivian countryside.

"Two years ago, Bolivia's three main cities received 92 per cent of all revenues, with just 8 per cent for the rest of the country," says President Sanchez de Lozada. "Now it's 60-40."

Pension fund reform, strenuously opposed when it was pushed through congress late last year, should also make its impact on the Bolivian economy. Instead of the inefficient and virtually bankrupt state social security system, Bolivians will shortly have two private pension fund administrators (AFPs) run along Chilean lines in which to set up individual accounts: levels of domestic savings will be boosted and, in time, the pension funds should provide a much-needed alternative source of non-bank financing for local companies.

Meanwhile, all Bolivians over the age of 65 are to receive, from May, an annual old-age pension of $250 or more paid from the proceeds of capitalisation. This represents, for many poor country-dwellers, more than they normally see in cash in an entire year.

Other macroeconomic indicators are reassuringly stable. In 1996 inflation was 7.95 per cent, the lowest for years, while the budget deficit was 2.1 per cent, lower than the target agreed with the IMF.

Bolivia's trade deficit remains high, however – imports totalled $1.64bn last year, up 14 per cent on that of 1995, with exports at $1.33bn (up 12 per cent). But so-called "non-traditionals" – mainly soya beans and gold jewellery – grew 34 per cent last year alone. Once the ambitious, $2bn pipeline taking Bolivian natural gas to Sao Paulo is up and running in 1999, the trade deficit should turn into surplus.

CHILE • by Imogen Mark

Exports forge ahead

Chile opts for Latin link to exploit growing trade with near neighbours

Last year Chile opted formally for its Latin identity and for its neighbours. For a while at least, it has shelved its long-cherished hopes of being the next nation into Nafta, the North American free trade agreement, and negotiated associate membership in Mercosur, the customs union, with Argentina, Brazil, Uruguay and Paraguay.

Chile's trade within the region has been growing steadily since the beginning of the decade, as the other economies have begun to stabilise and open up. Exports to its nine main Latin American partners were worth $3bn last year, up more than 50 per cent since 1990, and representing 17.5 per cent of all exports. Argentina and Brazil each account for about 5 per cent. Latin American markets are important for manufactured goods, and increasingly for luxury items like fresh fruit, salmon and wine.

But more striking than its exports of tangibles is the steady export of Chilean capital into the region. Last year Chilean companies announced acquisitions and investment plans for an estimated $3bn in six countries in the region, bringing the overall total for outside investments to an estimated $10bn, equivalent to a solid 15 per cent of Chile's gross domestic product. As e result for one company, Enersis, the biggest utility-based holding, its Argentine investments contributed 30 per cent of net profits last year. Not surprisingly, Chile is pushing to include services in the next phase of Mercosur negotiations, later this year.

The biggest outside investors are the private utilities, but behind them are banks and private pension funds, supermarket chains and forestry companies. What is driving their expansion into the region is the limited scope for growth in Chile's own domestic market, a modest 14.5 million people with an average $4,800 a head income.

It is not that the domestic economy is doing badly. On the contrary it managed a growth rate of 7.1 per cent last year, the highest in the region, and the 12th year running of continuous growth at an average 7 per cent a year. The central bank, an autonomous body, and the government came within a point of their inflation target – 6.6 per cent last year – and have set themselves a harder goal, 5.5 per cent for 1997. The government of president Eduardo Frei wants to bring inflation down to a range of 3-5 per cent by the time its six-year term ends, in March 2000.

The central bank and the finance ministry do not always see eye to eye on the means of achieving the target The Central Bank regularly urges the government to curb fiscal spending with a tighter fiscal budget. The finance ministry argues that it regularly turns in a steady 4-5 per cent fiscal surplus. General government spending accounted for an estimated 20.6 per cent of GDP last year, according to figures from SBC Warburg, the investment bank.

But the same study shows a steady decline in expenditure, from 26 per cent at the beginning of the decade, when democratic government was restored, and with only modest increases in election years.

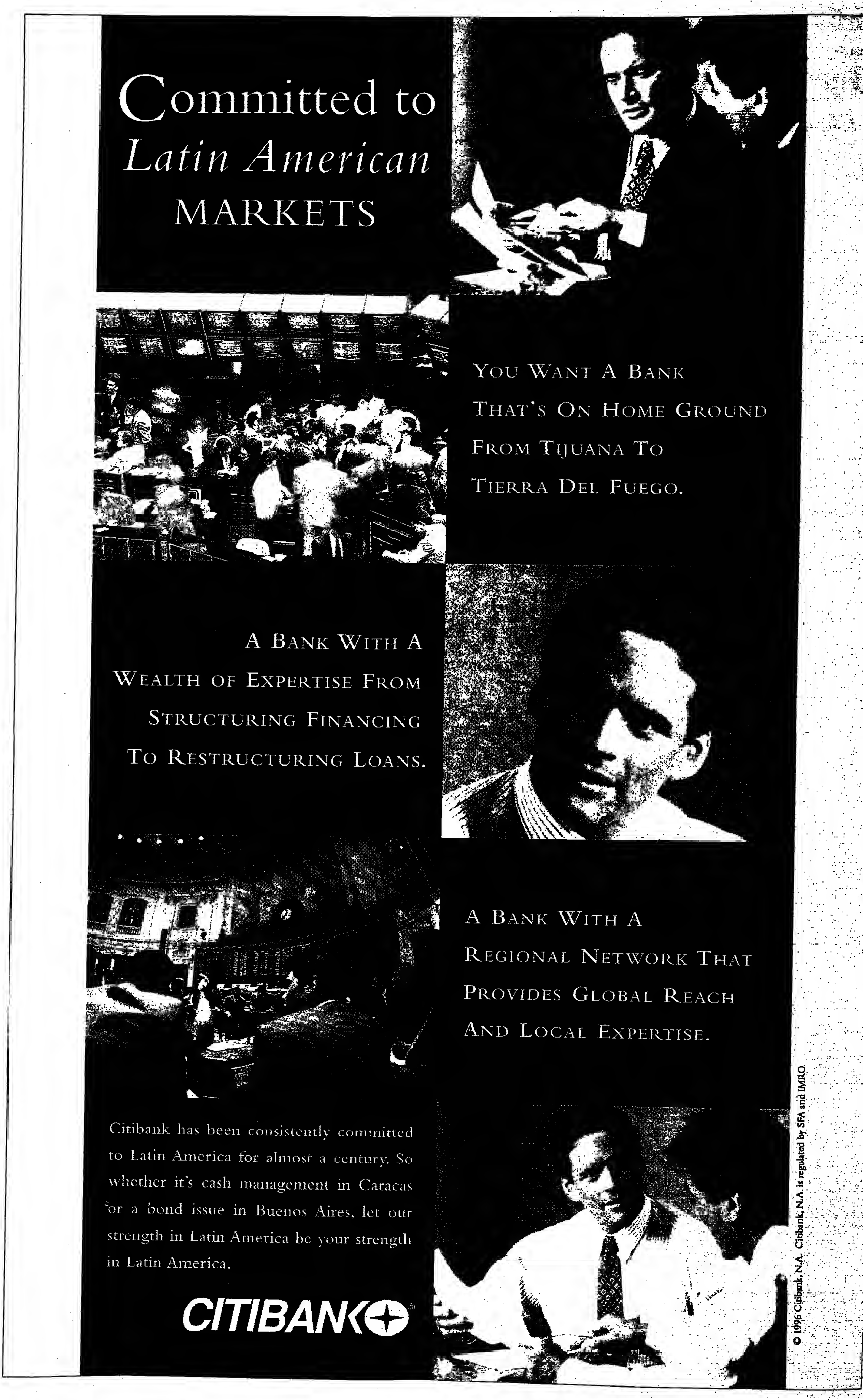
This year, for example, with congressional elections in December, government spending is set to rise to 20.8 per cent of GDP.

For the past year, however, the central bank has been applying a squeeze on credit, with its benchmark eight-year paper et rates above 6 per cent in real terms, and the short-term, 90-day paper averaging 7.25 per cent. The trend was downwards towards the end of the year, as the market anticipated a relaxation. But Mr Carlos Massad, the central bank president, has made it clear he will allow rates to fall only gradually during 1997.

The other aspect of the economy which falls within the central bank's brief is the management of the exchange rate. Last year the high domestic interest rates attracted substantial inflows of foreign capital, pushing np the valne of the peso against tha dollar desplte foreign exchange controls which are meant to check this. In October the Central Bank adjusted the rules on foreign investment to try to close one loophole.

The central bank and the government are both happy to see Chilean capital being shipped out of the domestic economy. Mr Massad wants to encourage more cross-border bank lending, as a way of balancing the inflow of foreign capital. This is the only long-term means, he says, to reduce the pressure on the balance of payments and eventually reduce the current capital controls.

The capital account helped last year to finance a $1.2bn trade deficit, the result of worsening terms of trade. Exports were down to $15.3bn, from $16bn in 1995, while imports continued to grow strongly, to $16.5bn ($14.7bn). This year is expected to bring a similar deficit, as the price for copper, 40 per cent of export earnings last year, is expected to stay around the same level of $1.04 a pound. Output has been rising, up by 20 per cent last year to 3.1m tonnes and a projected 13 per cent more in 1997, as a result of steadily increasing private investment in the sector.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VENEZUELA • by Ray Colitt

Oil gives a boost to confidence

Foreign investors eye privatised industry while government snubs IMF loan

Nearly a year after the government of president Rafael Caldera, 81, embarked on a course of market-oriented reform, Venezuela has stabilised its economy and regained the confidence of international investors. It struggles, however, to implement structural reform.

A year ago Venezuela was grappling with run-away inflation, a budget deficit of 7 per cent of gross domestic product (GDP), and a series of unwieldy foreign exchange controls that were fuelling the black market while stifling industry and commerce.

Today, a snap-shot of the economy reveals stable macroeconomic indicators. International monetary reserves are at a record $15.8bn, the exchange rate has shown unprecedented stability, and the current account showed a surplus in excess of $7bn in 1997. As part of last June'e stand-by agreement with the International Monetary Fund, the government is aiming for a modest budget surplus.

Renewed investor confidence has increased capital inflow considerably. The stock exchange saw unprecedented growth last year and led the Internetional Finance Corporation composite index for emerging markets with a return of nearly 115 per cent.

Foreign direct investment also experienced a rebound, especially in the petroleum and banking sectors. Three of the five largest banks were taken over in December last year by Spanish and Chilean investors, and at least another four banks are likely to be bought this year. Nearly half of all bank assets are now under foreign control. The arrival of foreign banks marks the end of the 1994 financial sector crisis, which cost more than 8 per cent of GDP and plunged the economy into a prolonged recession.

Foreign investors are now eyeing privatisation in Venezuela'e steel and aluminium industry, where ample resources and low energy costs make for a strong advantage. These sales could be worth close to $4bn.

Renewed investor confidence in Venezuela has also given the government access to international capital markets. "We used to take our proposal to the investment banks, now they come to us," said Mr Raul Matos Azocar, the finance minister, when recently announcing the government's plans to restructure its foreign debt obligations. Indeed Venezuela's external accounts have improved so dramatically that the government decided to turn down the remaining two tranches of its IMF stand-by loan.

Undoubtedly, the government has been aided by the recovery of international oil prices. Last year Venezuela received some $3bn surplus income as a result of the surge in oil prices. While part of that went to service the foreign debt, most windfall oil revenue this year is earmarked for a special reserve fund, to help balance the budget in times of depressed oil prices.

Investment in the oil sector is also kick-starting an economy which has not seen significant economic growth since 1992. According to the state petroleum company, PDVSA, an estimated $65bn will pour into the petroleum industry by the year 2005. Nearly half of that is to come from private investors. GDP growth estimates for 1997 vary between 4 and 5 per cent.

While large amounts of foreign capital are flowing into the country, many Venezuelans question when and how much of this will trickle down to benefit them. Unemployment is between 12 and 15 per cent and nearly half of the work force is employed in the informal sector, that is, without health insurance, pension plans or other benefits. High inflation and four years of economic recession have eroded real income to the lowest levels in decades. Demand for consumer products has plummeted.

Indeed, one year after the government implemented stiff austerity measures, most Venezuelans have seen no tangible improvement of their economic situation.

Recent public sector salary increases of up to 130 per cent are likely to nudge up inflation several percentage points, even though the government says it is restructuring its expenditures and increasing its revenue base to compensate. Most independent economists believe that accumulated inflation at year-end will be at least 10 points above the government'e inflation target of 25 per cent.

Large capital inflows and the obligatory exchange of oil revenue from dollars to bolivars have swelled the money supply and are further hampering the anti-inflation campaign. The government has agreed to pay back its debts to the central bank, allowing the bank to issue securities to soak up excess liquidity. In practice this mechanism has not been implemented yet.

As much as oil has been a blessing for the government, it may also have been a misfortune. The comfort of its oil cushion, critics say, has led the government to slow down on much-needed reform of a corrupt judiciary, a bloated central government, and an outdated social security system.

"The rise in oil prices should have helped to accelerate all these changes but instead they have slowed down," says Mr Oscar Garcia Mendoza, head of the Banco Venezolano de Crédito. "My impression is that there is a lack of leadership to push through these reforms."

Venezuela: inflation

	(%)
January (1996)	8.1
February	8.0
March	6.2
April	8.8
May	12.6
June	7.1
July	5.0
August	4.1
September	3.8
October	4.2
November	3.1
December	3.0
January (1997)	2.8
February	2.3

Source: official statistics

The government admits that some 250,000 of the central government's 800,000 employees are redundant. For this year its target is to reduce the state sector by 30,000. With the electioo campaign heating up for the end of this year, significant progress in streamlining the enormously inefficient government offices is unlikely.

Mr Gustavo Tarre Briceñho, chairman of the lower house finance committee, says that there has been no qualitative improvement oo the expenditure side of the 1997 budget. "Despite all the rhetoric, the government has done nothing to restructure expenditures. It appears as though the unbudgeted [oil] income has caused the government to forget how urgent it is to implement these reforms," he adds.

According to figures from the Caracas-based consultancy MetroEonómica, current expenditure amounts to 70.1 per cent of total expenditures. The pay roll of the central government alone accounts for 1,300bn bolivars ($2.83bn) or 18 per cent of its expenditures. A sudden drop in oil prices, says Mr Franklin Santarelli, an analyst with MetroEconómica, could once again throw the budget out of balance and require another round of economic austerity measures.

ECUADOR • by Justine Newsom

Uncertainty clouds prospects

The interim government has little time to implement its policies

After two years of political instability which belped keep Ecuador's real annual gross domestic prodnct growth down to an average 2 per cent, prospects for 1997-8 are not mnch brighter. Interim president Fabián Alarcón, has been appointed by Congress to replace the depoeed Abdalá Bncaram, until August 1998, when a nawly elected government will take over. This gives Mr Alarcón little time to implement his policies. The approaching 1998 elections add uncertainty to investors' planning horizons and give politicians little incentive to collaborate with his coalition government.

Given this time constraint, the government'e economic aims are limited. "This is a transitlon government which needs to recover macro-economic equilibrium. It is better to be realistic and hand over the fiscal accounts with responsibility", explained Fidel Jaramillo, newly appointed head of Ecuador's central bank, on television.

First it must cut a potential fiscal deficit of 6.6 per cent to 2.5 per cent of GDP. But the measures adopted, including higher customs and tax collections, e 10 per cent cut in spending, a temporary 4 per cent increase in import duties, and a partial increase in electricity tariffs, may not be achievable or sufficient without structural reforms.

"Many governments have said they want to improve tax collections," says economist Mr Luis Jácome of Quito-based research centre, Cordes, "but this requires institutional reform."

Others claim that increasing import duties is counter productive – a disincentive to imports with the net effect of cutting customs income. It is a etep backwards for Ecuador, which has been following the global trend towards lowering tariff barriers, causing problems with Andean Pact free-trade partners and the World Trade Organisatioo, which Ecuador joined last year, they argue.

Anticipating that spending cuts and revenne increases will he insufficient, Mr Jácome predicts a deficit of 3-4 per cent of GDP. But even a 2.5 per cent deficit is unlikely to satisfy the IMF, whose seal of approval Ecuador urgently needs to reassure international lenders, by renegotiating $200m of arrears on its Paris Club debt.

If the government cannot reduce the deficit, its inflation target may be another casualty. Annual inflation had accelerated to 31.7 per cent by February, compared with 25.5 per cent in December, after the Bucaram government increased utilities and transport tariffs. National food and fuel supplies were disrupted by strikes and road blocks at the beginning of February, in proteet against his regime. The government anticipates year-end inflation around 30 per cent. Private analysts are less optimistic. Mr Jácome predicts inflation will end 1997 at 33-35 per cent. Looking ahead, Mr Jaramillo expects inflation to slow to 25 per cent by March 1998 and 20-23 per cent by December.

Ecuador: economic indicators

	1995	1996	1997*
Real GDP growth (%)	2.3	1.8²	3.5
Year-end inflation	22.8	25.5	30.0
External debt/GDP	94.4	93.2²	92.9
Stock market index (annual % change)	-10.6	3.1	n/a

¹ Forecast; ² Provisional. Sources: Banco Central del Ecuador, EIU, Bolsa de Valores de Quito

The central bank bas adjusted its crawling-peg exchange rate band for these higher inflation expectations, allowing for annual devaluation of 21 per cent, instead of the 18.5 per cent assumed when the band was last adjusted in August 1996. The crawling-peg system, used since December 1994, allows the sucre to fluctuate up to 5 per cent either side of essential parity, against the dollar. Parity will now reach 4,452 sucres to one dollar hy December 31.

Brazilian-style currency aoctions bave also been introduced to rednce the sharp fluctuation in the exchange rate and resulting interest-rate volatility, which have characterised periods of political instability and uncertainty about economic policy in the past. However, though intereet rates may be less volatile, a significant cut cannot he expected while investors demand a risk premium due to uncertainty over political and economic prospects.

Critlcs argue tbe short-term macro-economic targets are insufficient. The government should push ahead more rapidly with reducing the size of the state and make it more efficient. It will be impossible in the long term to cut public spending or to redirect it to urgent social needs such as education, health and housing. The interest burden on the hudget must also he reduced, say analysts, hy contracting cbeaper longer-term debt to allow the repurchase of Brady bonds issued in 1995 when commercial bank debt was renegotiated.

However, Mr Alarcón has adopted a half-hearted approach to cutting back the state and institutional reform, reflecting his populist leanings and congressional mandete. The repeatedly postponed sale of 35 per cent of state telecommunications company, Emetel, to private operators, is now scbeduled for the last quarter of 1997. Mr Bucaram's plans for partial privatisation of the oil industry and a secood private oil pipeline for heavy crude also seemed to have been shelved. An earlier plan to expand the capacity of the existing cross-country state pipeline to 400,000 barrels per day is being resurrected. Business people await clear policy decisions for customs modernisation and an improved transport infrastructure.

CENTRAL AMERICA • by Johanna Tuckman

War-weary region faces new challenges

In an era of peace, violent crime and poverty keep Central America volatile

On December 29 last year the Guatemalan government and left-wing rebels signed a peace treaty ending Central America's last remaining armed confrontation. For the first time in more than three decades all six countries in the war-weary region are now officially at peace.

But although ideological conflict in Central America has run out of steam, high levels of violent crime and generalised poverty keep the region potentially volatile.

Throughout Central America local political and economic analysts see sustainable development providing jobs and improved living standards as the only guarantee for long-term stability.

For Mr Gustavo Porras, a former revolutionary who became the Guatemalan government's chief negotiator in 1996, the signing of peace "is a challenge giving the country a unique and unrepeatable opportunity to develop".

Irooically the winding down of the war in Guatemala last year was accompanied by a serious ecooomic slowdown that cut growth to 3 per cent from 5 per cent in 1995.

Prospects for this year are looking up given healthier coffee prices and the promises of US$1.9bn in international donations and loans to support the peace.

But as regional economic aoalyst Mr Fernando Morales de la Cruz points out, a sharp fall in growth in neighbouring El Salvador last year warns against relying too heavily on a post-war boom.

"In El Salvador the enthusiasm of peace has met the reality. Growth fell to 3.5 per cent in 1996 compared to the 6 per cent and 7 per cent they enjoyed between the signing of the accords in 1992 and 1995," be says.

Nevertheless, if El Salvador can take advantage of its new reputation of being et the vanguard of modernisation in Central America, it could benefit from increased foreign investment next year.

Further south, the tiny Nicaraguan economy is emerging from the painful recession that set in with the post-war crackdown on byperinflation in the early 1990s.

Reflecting on the bealthy 5.5 per cent rise in GDP registered this year Mr Morales comments: "It is easy to grow when you start from zero."

Nor is unqualified optimism appropriate in other Central American countries that were only indirectly affected by the regional conflicts.

As in Nicaragua, the maintenance of the growth rate in the vulnerable Honduran economy during 1996, reflects a slow recovery from recession rather than a sustained trend.

And in Costa Rica belt-tightening to control serious fiscal problems brought the economy to a virtual standstill last year, stripping bare the country's already questionable claim to he "the Switzerland of Central America".

Even in Panama, where the canal marks the country off from the rest of Central America, 2 per cent growth in 1996 is a far cry from the 8 per cent registered in 1990.

But althougb Central American economies remain delicate, the region can boast relative macro-economic stability with inflation and exchange rates far less erratic than they were a few years ago. External debt burdens are also far more manageable in the wake of successful renegotiations of bilateral and commercial debt.

Tbls stabilisation ls largely the result of structural adjustments that have accompanied the peace process and put economic policy in the region firmly within the dominant paradigms of the post cold war period.

From Gnatemala to Panama governments are now committed to programmes that include state modernisation, privatisation and market opening.

Ironically, the countries where left-wing rebel movements were strongest are the most determined to push such policies through. In Guatemala, just six weeks after signing the peace, President Alvaro Arzú'e business-linked administration announced an aggressive privatisation programme with the shotgun sale of the state-owned telecommunication's company at its beart.

Similarly, the right-wing El Salvador government of President Armando Calderon Sol started the year with an acceleration of existing privatisation plans for telecommunications.

Nicaraguan President Arnoldo Aleman is expected to follow suit once his new government has settled in.

Costa Rica is more relnctant to join the privatisation race. But the country with the strongest tradition of state intervention in Central America is now moving towards selling off state assets as the only available way out of its fiscal disaster.

Honduras is also lagging behind the trend although dormant plans exist that could be reactivated at any time.

But as Central America converges into a post-war consensus regarding privatisation, the vision of turning the region into a free trade zone capable of tagging on to Nafta in the future appears more difficult to pnt into action.

Meanwhile, efforts to open np borders within the region itself are moving forward on paper altbough they repeatedly come up against family monopolies protecting their turf.

This leads Mr Morales, at least, to take a sceptical view. "When they start selling Guatemalan beer in El Salvador and Salvadoran beer in Guatemala then I'll believe it. If you want free trade you have to start with the big companies, but the big companies all have famous last names and they are still the guys who make the decisions," says Mr Morales.

Meanwhile, few analysts are willing to predict bow much more time the populations of Central American countries will want to allow the post-war development model to deliver on its promises.